FINANCIAL TIMES

Tuesday May 5 1992 | EUROPE'S BUSINESS NEWSPAPER | D 8523A

Volvo thwarted in bid to merge with Procordia

The Swedish government will privatise its large minority stake in Procordia, Swedish pharmaceuticals and food group, thwarting a controversial bid by Volvo, carmaker, to merge the two companies. Volvo, however, will become the largest single shareholder and is free to acquire a majority stake on the market. Page 21

UK rate cut: Britain is expected to cut its base rate today by up to ½ point because of only subdued signs of recovery in consumer spending. Page 20; UK gilts, Page 26; Australian rates set to decline, Page 6

SA reshuffle: South African president F.W. de Klerk appointed former mining executive Derek Keys as finance minister in a reshuffle partly dictated by the workload of multi-party democracy talks. Page 5

Maastricht vote: The French government is likely to win a comfortable majority in this week's National Assembly debate on revising the constitution as the first step to ratifying the treaty on European union. Page 3

European Monetary System: Sterling is once again back to second from bottom of the EMS – ahead of the Danish krone – after a week in which it had climbed to fourth from bottom. The pound was weakened by renewed confidence in the D-Mark after speculation of a possible rise in German interest rates. Markets will keep a close eye on the Bundesbank's money market operations on Wednesday and its general council meeting on Thursday. Currencies, Page 35

EMS: Grid May 1, 1992

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. Currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with 6 per cent fluctuation bands.

Hachette merger: Jean-Luc Lagardère, chairman of the Hachette publishing empire and the Matra defence and electronics group, will today announce details of their merger and a FFr2.8bn ($500m) recapitalisation and rationalisation programme for Hachette. Page 21

Wall Street rebounded to a record close, buoyed by speculation that the Federal Reserve will again lower US interest rates. The Dow Jones industrial average finished 42.04 up at 3,378.13. Page 40

Craxi scandal: Italy's ruling Socialists are fighting to contain the damage from a corruption scandal that threatens to jeopardise party leader Bettino Craxi's chances of heading the next government. Page 2

BMW, German carmaker, is cutting jobs at its UK sales and marketing subsidiary after a 39 per cent decline in BMW (GB)'s trading profit last year. Page 20; Ford restructures R&D, Page 6

Sierra Leone: The leaders of last week's coup have announced a 19-man government which includes two former ministers from the cabinet of ousted president Joseph Momoh. Page 5

Kabul under fire: The forces of radical Moslem commander Gulbuddin Hekmatyar bombarded Kabul with rockets, killing 13 and stepping up pressure on the interim government installed last week. Page 6

Algerians sentenced: An Algerian military court sentenced to death 12 Moslem fundamentalists linked to the outlawed Islamic Salvation Front.

Pinault, French industrial group, saw its net profits halved to FFr503m ($90m) after a reduction in exceptional earnings. Page 24

Asian Development Bank is likely to come under close scrutiny by its shareholders in the industrialised world following its request for a large capital increase. Page 6

Egyptian feud: Thirteen people were killed and five wounded when a family feud erupted into fighting between Moslems and Christians in Upper Egypt. Page 6

Israel accused: Israeli officials have participated in the interrogation and torture of prisoners at Khiam jail in southern Lebanon, according to a report by the human rights group Amnesty International. Page 6

The Markets

STOCK INDICES

Tokyo Nikkei	closed	
New York:		
Dow Jones Ind Ave	3,378.13	(+42.04)
S&P Composite	416.91	(+4.38)

US CLOSING RATES

Federal Funds:	3¾%	(4%)
3-mo Treas Bills: Yld	3.703%	(3.693%)
Long Bond	99[illegible]	(99[illegible])
Yield	7.922%	(8%)

GOLD

New York Comex		
May	$337.3	(339)

STERLING

New York:		
$	1.7795	(1.7800)

DOLLAR

New York:		
DM	1.647	(1.6405)
FFr	5.5525	(5.533)
SFr	1.5118	(1.4996)
Y	133.2	(132.85)

Tokyo Y closed
London markets closed

Austria	Sch30	Hungary	Ft182	Malta	Lm0.60	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr160	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht60		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr6.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	$US1.25	Portugal	Esc190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

Government to make improved offer tomorrow to public sector unions

German strikers force talks

By Christopher Parkes in Bonn

ESCALATING action by Germany's public sector unions yesterday forced the government back to the pay negotiating table. Talks will restart tomorrow evening in Stuttgart, when unions will be presented with a "new, improved offer", the interior ministry said last night.

Ms Monika Wulf-Mathies, president of the ÖTV public sector union leading the action, welcomed the government initiative. She said it was "the first signal that the employers are prepared to reduce the temperature in the conflict they have provoked".

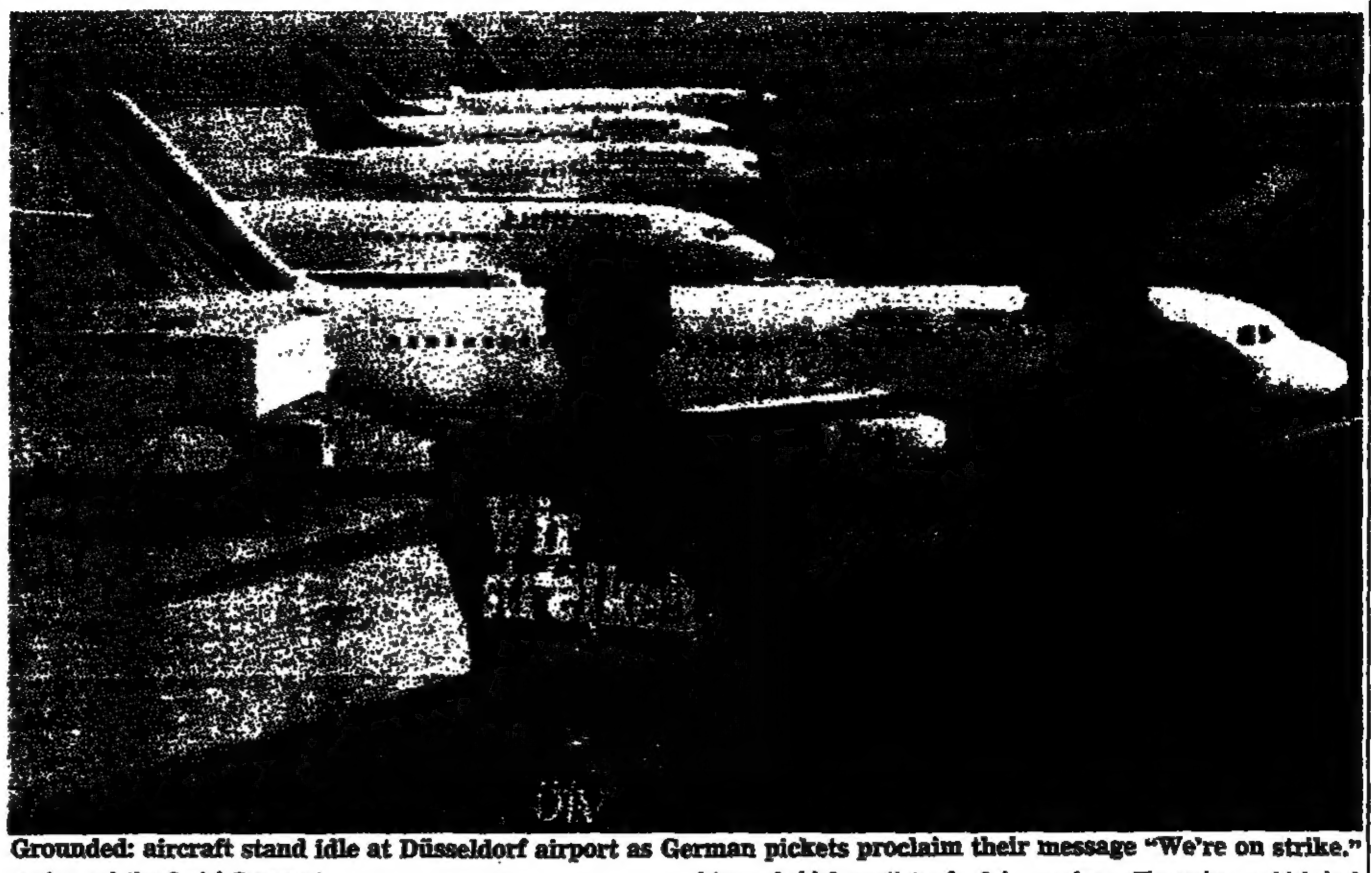
About 270,000 workers were striking yesterday. They affected airports for the first time in the eight-day wave of national stoppages.

The strikes have brought most transport and rubbish collection to a standstill and yesterday forced the closure of Hanover and Berlin's Tegel airports. The ÖTV union said they would be stepped up and continue today at that level "until the end of negotiations".

The union also threatened to step up action at the international hub airport at Frankfurt, as well as Hamburg and Stuttgart. Union officials said Frankfurt, continental Europe's busiest airport, would be hit from today.

"I anticipate broad-ranging action, for example in luggage handling or safety control," an ÖTV spokesman said. Strikes were due to start at midnight local time (2200 GMT) and the airport would be closed initially for 24 hours, he said.

The prospect of a break in the deadlock arose as leading political parties showed signs of preparing to co-operate over the country's financial problems. A meeting between the coalition



Grounded: aircraft stand idle at Düsseldorf airport as German pickets proclaim their message "We're on strike."

parties and the Social Democrat opposition, proposed by Chancellor Helmut Kohl last month, has been booked for May 27.

The date was announced as Bonn buzzed with talk of a grand coalition or parliamentary elections as the best hopes for resolving pressing financial, political and constitutional difficulties.

Agendas for both the pay and cross-party co-operation talks are not yet fixed. The ÖTV, however, said it was assuming that the

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employers' new proposals would include an advance on the 4.8 per cent "final offer" which led initially to strike action.

Mr Rudolf Seiters, interior minister and chief negotiator for federal, state and local employers, is expected to put forward an increased overall offer weighted to give low-income public servants a higher increase than top earners. He may also seek an agreement extending beyond the normal 12 months.

Ms Wulf-Mathies had earlier hinted that a compromise with limited increases for higher earners would be acceptable.

Much will depend, however, on the total value of Mr Seiters's package. The unions, which had earlier accepted a 5.4 per cent rise recommended by arbitrators, have since said they want more.

The ÖTV alone, the biggest union among the half-dozen taking action, yesterday called out 220,000 workers. A further 20,000 will join them this morning.

The cumulative impact of the stoppages, which started last Monday in local transport and post offices, hit hard yesterday as people returned from the May Day holiday weekend.

Bonn still talks of a grand coalition

By Quentin Peel in Bonn

TALK OF a grand coalition between Christian Democrats and Social Democrats to tackle Germany's daunting unification problems is spreading through Bonn, in spite of denials from all the key party leaders that they want anything of the kind.

Mr Gerhard Schröder, Social Democrat (SPD) prime minister of Lower Saxony and one of the opposition party's leading state "barons", called yesterday for just such a solution, on the grounds that Chancellor Helmut Kohl's coalition of Christian Democrats and Free Democrats (FDP) was no longer capable of running the country.

Mr Theo Waigel, finance minister and leader of the Bavarian-based Christian Social Union (CSU), sister party of the Christian Democrats (CDU), said in an interview with Stern magazine that the coalition partners must solve their differences before the summer break, or they might fall apart.

Mr Wolfgang Kubicki, state leader of the FDP in Schleswig-Holstein, gave them even less time: just six weeks to decide common policies on the key questions – budget cuts, dealing with asylum seekers, financing old age care and fighting crime – or face collapse.

Without the FDP, the CDU and CSU would lack a working majority in the Bundestag by 13 votes: they currently have 319 seats in the 662-seat lower house of parliament.

The SPD could not put together a rival government without at least two partners, the FDP and the Progressive Democrats, successor party to the Communists in east Germany. The SPD has 239 seats, the FDP 79, the PDS 17 and the Greens just eight.

The only obvious alternative solution would be a grand coalition of CDU/CSU and SPD, as they formed in 1966 for just three years. It is a solution so far flatly rejected by both Mr Kohl and the entire national leadership of the SPD, which heard Mr Schröder's proposal yesterday and rejected it.

The one sign of action, however, is that the SPD leadership has agreed to meet the government partners for cross-party talks on May 27.

Private funding sought for rebuilding of LA

By Lionel Barber in Los Angeles

MR Peter Ueberroth, the businessman appointed to head the drive to sort out Los Angeles after the riots last week which killed 58, has put big private US corporations on notice that he expects them to provide funds to rebuild the inner city.

Mr Ueberroth will head a non-profit organisation – dubbed Rebuilding LA – which will seek public and private sector funds, including appeals to foreign investors headed by Japanese and Korean companies.

Los Angeles lurched towards a semblance of normality yesterday as businesses and schools reopened, a curfew was lifted last night, and the city confronted the task of rebuilding after last week's riots.

Mr Ueberroth, a former baseball commissioner who also stage-managed the 1984 Olympic Games in Los Angeles, has taken the unpaid post at the invitation of Mayor Tom Bradley.

His appointment drew a broadly positive reception, although some minority community leaders pointed to his lack of race relations experience. Mr Ueberroth said he would proceed only if he won the support of all of the ethnic communities.

The federal government yesterday sent Mr David Kearns, deputy secretary of education and a former chairman of Xerox, the US reprographics group, to co-ordinate government efforts to rebuild the city.

The White House said the federal government would be making some $300m of disaster aid available, two thirds of it to rebuild damaged infrastructure. In addition, the Small Business Administration is expected to provide $300m-$400m of loans.

Damage from rioting and looting was estimated by the Los Angeles County Sheriff's Department yesterday at $717m, and more than 10,000 businesses have been destroyed. Officials said that, by yesterday morning, 2,383

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EC warns on peace effort as Bosnia clashes intensify

By Laura Silber in Belgrade and agencies

BOMBS AND grenades exploded every 30 seconds near the centre of Sarajevo yesterday as the fighting in Bosnia-Hercegovina escalated into full-scale civil war.

The EC's current president, Portugal, said the scale of the fighting and the killing of an EC peace monitor at the weekend could make the Community reconsider its peace efforts.

Mr João de Deus Pinheiro, Portugal's foreign minister, said: "This is tragic and unacceptable and could lead the European Community to seriously rethink the usefulness of continuing its efforts and sacrifices to mediate in a conflict in which those involved apparently want to maintain this or an even higher level of violence."

The EC monitoring team is suspending its operations in all the former Yugoslav republics after a Belgian member of the EC team was killed near Mostar on Saturday.

In Sarajevo, Serb and Moslem militias fought for control of strategic buildings while the army's artillery pounded the capital from surrounding hills.

Eyewitnesses said federal jets made four overflights and there were unconfirmed reports that they had bombarded the outskirts of Sarajevo. Until now, the capital has escaped air attack.

A journalist reached yesterday afternoon by telephone in Sarajevo, said: "There are several explosions per minute. People are running madly on the streets looking for cover."

In the early evening, Sarajevo radio announced that Bosnian territorial defence forces had begun a major offensive against Serb positions in the capital. "The situation is very, very serious," said Mr Marrack Goulding, the senior UN envoy, who arrived in Belgrade yesterday to assess the feasibility of a peacekeeping force in Bosnia. "It is essential

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The battle for Bosnia - Hercegovina

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NEWS: INTERNATIONAL

Craxi tainted by fall-out from corruption scandal

By Robert Graham in Rome

THE effects of the two-month-old Milan corruption scandal, centring on pay-offs for public contracts being funnelled to political parties, have finally reached Rome and are likely to influence the choice of Italy's next president.

At the same time the Milan municipal council is expected to resign as a result of the scandal, and an interim council of "technicians" be appointed under Mr Giampiero Borghini, the socialist mayor.

Milan magistrates are expected to decide this week whether to make a formal request to parliament for the waiving of immunity on Mr Carlo Tognoli, the outgoing Socialist minister of tourism, and Mr Paolo Pillittieri, returned as a Socialist deputy in the April 5 general elections.

Mr Tognoli, mayor of Milan from 1976-86, and Mr Pillittieri, mayor of the city from 1986 until late last year, have been notified by magistrates that they are under investigation for alleged illegal receipt of funds. Both men have denied any wrongdoing.

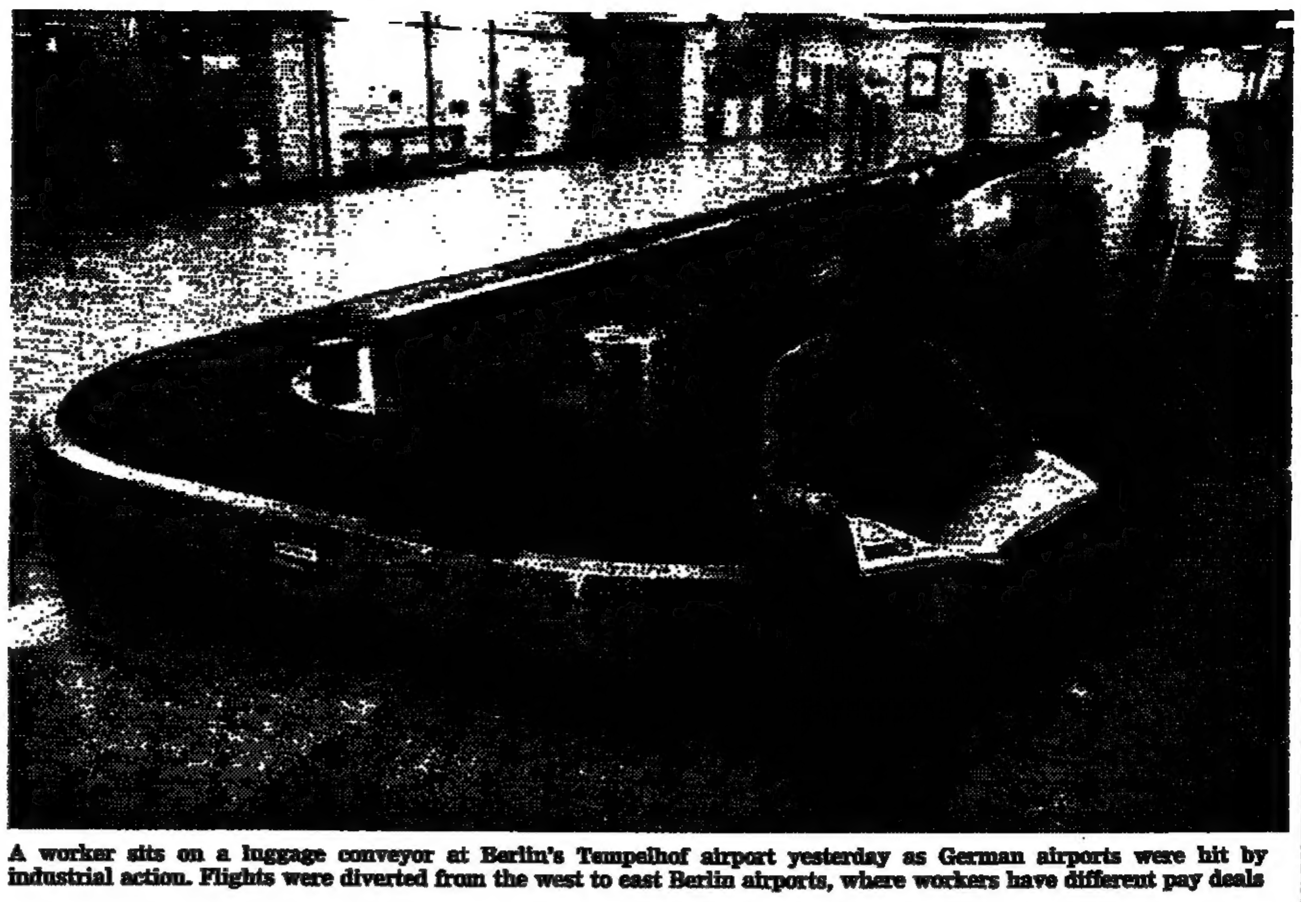
They are the most senior figures yet to be involved in the investigation and Mr Pillittieri is the brother-in-law of Mr Bettino Craxi, the Socialist leader.

Since the arrest on February 17 of Mr Mario Chiesa, a prominent member of the Socialist party and allegedly the central figure in a large municipal corruption network channelling funds to political parties, almost 20 people have been charged with corruption and abuse of office.

Magistrates appear to be establishing an ever-widening network around Mr Chiesa, head of the Pio Albergo Trivulzio, the city's oldest charitable institution. With the arrest last week of two senior figures in the Democratic Party of the Left (PDS), the charges of corruption now include the whole ideological spectrum.

However, the main political attention has focused on the Socialist party and its leader, Mr Craxi. Mr Craxi has long made Milan his power base and the city has been the show-case of post-war Socialist administration. The people now under investigation have all been closely connected with him.

Even though the charges have not been proven, Mr Craxi's reputation has been badly damaged. Mr Eugenio Scalfari, editor of Italy's largest selling daily newspaper, La Repubblica, and an old enemy of Mr Craxi, said over the weekend the Socialist leader was no longer qualified to stand either for the presidency or the premiership.



A worker sits on a luggage conveyor at Berlin's Tempelhof airport yesterday as German airports were hit by industrial action. Flights were diverted from the west to east Berlin airports, where workers have different pay deals

Tajikistan opposition told to end protest

TAJIKISTAN'S Communist-dominated government yesterday warned the Islamic and democratic opposition that it would use force unless they ended their month-long demonstration in Dushanbe, capital of the central Asian republic, writes Gillian Tett in Dushanbe.

Government helicopters flew over the city dropping leaflets claiming that the government had "all the necessary force to break up the demonstrations".

The move, greeted with defiance by opposition leaders, has left both sides preparing for imminent violence.

Poland and IMF in loan talks

Poland and the International Monetary Fund yesterday began talks to renew Warsaw's access to a $2.5bn loan suspended by the IMF last September when the previous government failed to curb the booming budget deficit, Reuter reports from Warsaw.

Mr Stefan Kawalec, deputy finance minister, said an agreement would include guidelines on the size of the budget deficit, interest rates policy, trade balance targets and moves to speed up privatisation.

Romania to ease currency controls

Romania is easing regulations on companies' hard currency holdings and is planning to devalue the leu by about 25 per cent in the next few weeks, the national bank has announced, writes Virginia Marsh in Bucharest.

At the same time, the government yesterday cut subsidies on many basic foods and electricity, pushing up prices sharply, while cushioning the blow with limited pay rises and cash handouts.

The new currency measures are part of a package of economic reforms drawn up with the help of the International Monetary Fund and the World Bank. They were designed to clear a backlog of import payments, restore the confidence of the business community and encourage foreign investment, Mr Mugur Isarescu, governor of the national bank, said.

Germany's iron lady faces fight for her survival

Resentment is growing against the ŏTV public services union, writes Christopher Parkes

THE strike banners flap and the pickets cheer as Ms Monika Wulf-Mathies climbs back into her red Mercedes. The president of the ŏTV public services union winks, waves and whirrs off to continue her daily round: a barricaded bus depot, a closed rubbish dump, and on to a picketed town hall.

The television pictures roll on, scanning heaps of rotting garbage and traffic jams.

For the past eight days they have presented a neat composite portrait of a Germany sweating out its first national public sector strike in 18 years, overlaid with a cameo of a tough, competent union leader – a woman perfectly at ease in a man's world. One of the boys.

Not quite. Despite the genuine picket-line solidarity and the admirable efficiency of the strike, "Our Monika" is in a bit of a jam. Today's battle with a determined government will probably be followed in short order by a struggle for her own survival as the only woman leader of a big German trade union at leadership elections in June.

Her election in 1982 when, as now, the German economy was stuck in a rut and public spending was under screws, was greeted as a revolutionary change of tack in the conservative, male-dominated trade union world. As a 40-year-old middle-class university graduate and former speech writer for ex-chancellor Mr Willy Brandt, she had broken through the grass-roots ranks of career unionists cluttering the ŏTV hierarchy.

Her lack of traditional credentials earned her the epithet "the faceless woman". Surrounding herself with cool-thinking technocrats, she has since won a reputation within her Stuttgart headquarters as an effective manager and consensus-builder. She has been rewarded with charges by regional officials that she has kept too much power to herself; the union, instead of delegating more control to the regions, has become more centralised and less flexible.

The value of efficient central control is evident in the meticulous management of the current strike. But her own plans for reorganisation of the union, a cumbersome apparatus representing the interests of some 2.3m white- and blue-collar workers with about 400 different job descriptions, have made little headway. Accompanying hopes that regional and sectoral branches would be given more autonomy have been dashed, and resentment is growing.

She has also shown herself to be out of step with senior leaders of other unions on key issues. She has hesitated over proposals to restructure and toughen up the DGB union association, the equivalent of Britain's Trades Union Congress, and been reluctant to mobilise her members in pursuit of shorter working hours, the main aim of most unions in the past few years.

More importantly, in the light of the approaching leadership elections, her critics now accuse her of misjudging the economic and political climate when she put forward this year's demand on pay and other benefits. The ŏTV claim, a package worth almost 11 per cent, was the highest in the current wave of demands.

"We stumbled into these negotiations as if they were a common-or-garden pay round," says Mr Michael Wendl, a senior officer in the Bavaria branch, and one of her most persistent critics.

Come June, Ms Wulf-Mathies is unlikely to be accused of missing the signals of dissent from her regional rivals. And anyone thinking of putting in a claim for her job should be careful not to underestimate the capacities of the new hierarchy she has built up in Stuttgart, and the picket-line popularity she has so carefully cultivated during the current strike.

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French set to take first step to Maastricht

By Ian Davidson in Paris

THE FRENCH government is likely to secure a comfortable majority in this week's three-day debate in the national assembly on revising the constitution – the first step to ratifying the Maastricht treaty on European union.

The leaders of the right-wing Gaullist RPR party opted last week to play down the significance of the treaty and urged their members to support it in principle as a matter of general party strategy.

However, serious reservations remain among Gaullist rank-and-file about some constitutional aspects of the treaty, and the parliamentary group has said it will table amendments to the constitutional revision bill.

The government can count, nevertheless, on the overwhelming support of Socialist party members, as well as on almost all the centre-right UDF grouping and the UDC centrist group, both of them traditionally pro-European.

In the Socialist party, the only serious opposition will come from Mr Jean-Pierre Chevènement, the maverick left-wing Gaullist who was formerly defence minister. He has denounced the treaty as wholly undesirable, and has put down an amendment rejecting economic and monetary union in the Community.

But his camp has now shrunk to a handful, and last week he said he intended to launch a new left-wing party, which would apparently be designed to take in the Communists.

The Communist party will vote *en bloc* against the treaty.

The most contentious point in the draft constitutional revision is one which would allow residents from other Community countries to vote, and to be elected, in French municipal elections, as laid down in the Maastricht treaty.

This is a doubly sensitive constitutional issue; French mayors exercise certain civil and police functions on behalf of the state, and town halls contribute delegates to the electoral colleges which elect national Senators.

For both these reasons the nationalist wing of the Gaullist party, and a smaller number of traditionalists in the UDF, have objected vociferously that the treaty would be a grave infringement of national sovereignty.

The government's draft is designed to pre-empt their objections: long-term EC residents in France would be allowed to vote and be elected in municipal elections; but they would not be eligible as mayor, nor could they take part in the election of Senators.

The planned Gaullist amendment would strike out all provision for local voting rights for EC residents, however. This would be in straight conflict with the treaty. But unless the Gaullists can secure large defections from other conservative parties, their amendment is likely to be defeated.

After the national assembly, the constitutional revision is likely to go to the senate about May 20, and finally to a joint congress of the two houses early next month.

Spain threat to EC over sovereignty of Gibraltar

By Tom Burns in Madrid

SPAIN HAS warned it will continue to block the EC convention allowing free movement of people within the Community unless the UK is willing to negotiate the restoration of Spain's territorial sovereignty over Gibraltar.

The warning, which affects a key element of European single market legislation, came in the course of talks yesterday between Mr Francisco Fernández Ordóñez, Spain's foreign minister, and his UK counterpart, Mr Douglas Hurd.

Under the External Frontiers Convention, which will take effect next year, Gibraltar would become a Community entry point. Spain views such a development as undermining its claims over the British colony, which joined the EC in 1973 as a dependent British territory.

"We have been working for several months to seek an agreement based on goodwill," said Mr Fernandez Ordóñez. "I am a little bit more hopeful but I am not optimistic."

Race for Europe's central bank hots up

David Marsh and **Andrew Fisher** on the acrimonious tussle between governments

WHEN Mr Jacques Chirac, mayor of Paris, entertained Sir Brian Jenkins, Lord Mayor of London, to lunch last Tuesday the two men had billions of dollars on their minds.

Sir Brian was in Paris, accompanied by Mr Pen Kent, an associate director at the Bank of England, as part of a £1.5m ($2.65m) campaign by the City to try to bring the future European central bank (ECB) to London.

It was the latest move in an acrimonious tussle over the site of the EC's planned supranational monetary institution, a dispute primarily pitting Britain against Germany, which has lodged a strong bid to make Frankfurt the ECB's home.

Under plans for European monetary union (Emu) by the end of the century, the ECB would operate interest rate policies across Europe and pool huge quantities of foreign exchange reserves. At stake is not simply the prestige of hosting the bank which controls European money, but also the additional financial business activity which could be brought in its wake.

European Community heads of government are scheduled to decide on the issue by the end of the year, possibly at the EC summit in Edinburgh in December. Initially they have to choose a site for the European Monetary Institute (EMI), the embryonic central bank which is due to open its doors at the start of stage two of Emu on January 1 1994.

The EMI will be converted into a fully-fledged central bank when the third and final stage of Emu starts – either in 1997 or in 1999, on present EC plans.

Because of the complexities of the problem – which also involves decisions on the sites of a number of other European institutions – the matter may drag on into next year. The French Foreign Ministry, for instance, says France will block any decision on the site of the central bank until the EC agrees that Strasbourg will be the permanent home of the European parliament.

> At stake is not simply the prestige of hosting the bank which controls European money, but also the additional financial business activity which could be brought in its wake.

Central bankers warn that postponement would greatly damage chances of choosing staff and facilities for the EMI in time for its planned start-up.

Paris has not put in a bid to attract the ECB, although both Lyons and Strasbourg are contenders. But Mr Chirac, as one of the leaders of France's right-wing opposition, will play a role in forming public opinion on the issue.

Sir Brian met Mr Chirac above all to try to enlist France's support to stop the ECB going to Germany. Chancellor Helmut Kohl and the Bundesbank have energetically backed Frankfurt, arguing that a decision in the city's favour is necessary to combat unease in Germany about giving up the D-Mark.

more likely outcome of London's high-profile campaigning, however, will be to encourage EC governments to place the bank in a city outside one of the continent's three largest financial centres.

This would prevent either London, Frankfurt or Paris claiming that one of the other centres was clinching an unfair competitive advantage.

On this reckoning, Amsterdam is a clear favourite as a compromise. "People know that smaller countries get their chance when larger countries disagree. Then the choice should be for Amsterdam," says one Dutch official. In case Amsterdam was held to infringe the competitive status of, say, Paris, then a still more modest financial centre – Luxembourg – would come into the running.

Germany's insistent pro-Frankfurt stance is prompting criticism from other EC countries. One top European central banker – from a country not seeking for itself the ECB site – said: "They [the Germans] are bringing it to a level at which it is difficult to have a reasonable discussion."

London's candidature, on the other hand, is greeted with derision from German officials. They point out that Britain is the only EC country not to have declared its willingness to proceed to the (final) stage three of Emu.

Germany, meanwhile, is stepping up the drumbeat in favour of Frankfurt. "Just as it is regarded as normal that the European parliament is in Strasbourg, and that the Commission is in Brussels, it is perfectly normal that the European central bank should be in Frankfurt," says a senior Bonn official.

Bonn has stopped short of suggesting it will not ratify the Maastricht treaty unless the Commission opts for Frankfurt. Mr Theo Waigel, the finance minister, has said, however, that Germany will find it more difficult to accept a single European currency unless the decision-making centre is Frankfurt.

According to Mr Martin Kohlhaussen, chief executive of Commerzbank, the third largest German bank, Frankfurt is the "obvious and logical" choice. Like many in Frankfurt's financial and business community, he thinks that any other decision would throw Emu's credibility seriously into question. In view of the symbolic importance of Frankfurt as the home of the Bundesbank, he argues that a vote for any other city would appear as if "stability as the precondition of a hard currency was no longer seen as so important".

Theo Waigel: warning on single European currency

Central bankers point out that, for money dealing purposes, the bank's geographical location is irrelevant.

The decision will be a matter of pure politics. Other matters, for instance on the application of the Maastricht criteria drawn up to decide which countries should join Emu, are economically more important. The wrangling indicates, however, that – nearly five years before the earliest date at which monetary union could actually start – the political consensus behind Emu is still remarkably fragile.

Now Los Angeles is calmer, attention turns to the expected impact on voting in the presidential election in November

Tough challenge for LA's task force chief

By Louise Kehoe in San Francisco

MR Peter Ueberroth, named by Los Angeles Mayor Tom Bradley to lead reconstruction efforts in the riot-torn city, is a man who thrives on challenges, but many see his latest undertaking as daunting.

More than 1,600 businesses were destroyed or severely damaged in South-Central Los Angeles in three days of violence. A total of 5,200 buildings were severely damaged.

Mr Bradley said that he chose Mr Ueberroth to head the task force because of the superb job he did as head of the committee that organised the 1984 Olympic Games in Los Angeles, winning unprecedented support from the private sector and ultimately recording a $215m surplus for the city.

A keen sportsman, Mr Ueberroth also served as US baseball commissioner from 1984-89, and is credited with solving the financial problems of the sport.

Mr Ueberroth, a staunch Republican, has been mentioned in some circles as a potential political candidate. He is reputed to be a smart, tough negotiator and a good organiser who is skilled at keeping the peace but mobilising support for his cause.

He heads the Contrarian Group, an organisation that invests in troubled companies, aiming to turn them around.

The son of a traveling aluminium siding salesman, Mr Ueberroth, 54, began his business career in Hawaii, where he was hired by financier Mr Kirk Kerkorian to help him establish a non-scheduled airline. At the age of 23, Mr Ueberroth founded his own charter airline, but the venture failed.

None the less, Mr Ueberroth went on to a successful career in travel-related services. In 1989 he mounted a bid to acquire the now defunct Eastern Airlines.

In Los Angeles, Mr Ueberroth must cut through government red tape and persuade the private sector to invest in what to many appears the most unlikely of "turnrounds".

Although local government leaders welcomed Mr Ueberroth's involvement, many remain sceptical about his ability to revive parts of the city that were depressed even before last week.

Despite the enormity of the task, he exudes confidence. burned-out buildings. "We are not going to put it back the way it was. We are going to make it better," he said.

Riots likely to provoke shift to the right

By George Graham in Washington

AS the smoke drifts away from a calmer Los Angeles, electoral analysts have been debating the likely political fallout from last week's riots and the controversial trial verdict that triggered them.

Both President George Bush and Governor Bill Clinton have veered in their response to last week's events. They have gradually diminished their emphasis on understanding the frustration caused by a jury's acquittal of four police officers filmed beating Mr Rodney King, and have toughened their insistance on respect for law and order.

In the longer run, however, both the verdict and the Los Angeles violence have unleashed emotions that could significantly reshape voting patterns, if either candidate can succeed in tapping them in November's presidential election.

At first glance, Mr Bush would seem to have a hard task turning last week's events to his advantage.

He has been accused both of fanning racial hatred with his divisive 1988 election campaign and of neglecting the urban problems that provided the tinder for the Los Angeles rioting.

The latter criticism has been especially pointed when it has come from his own secretary of housing and urban development, Mr Jack Kemp.

But for Mr Clinton, the likely Democratic presidential nominee, the issues raised in Los Angeles last week are also fraught with difficulty.

Although he has drawn heavily on urban, low income and black voters in this year's primaries, Mr Clinton's candidacy has been underpinned by an effort to pull the Democratic party in a direction that will enable it to recapture the socially conservative middle class, and mostly white, voters who deserted it in the 1980s in favour of former president Ronald Reagan's Republicanism.

Indeed, Mr Clinton has been criticised by many Democratic city leaders of himself neglecting urban problems in his campaigning – although he has been consistent in his appeals for racial unity.

Worse still, last week's scenes of burning and looting seem likely to reawaken the worst fears of white suburban voters and play into one of the most glaring of the Democrats' electoral weaknesses in the last two decades: the perception that they are soft on crime.

Washington protesters use barrels yesterday to block traffic on Pennsylvania Avenue near the Justice Department

There is one difference from the urban unrest of 1965-68 which propelled Mr Reagan to California's governorship and Mr Richard Nixon to the presidency on a law and order platform.

This time, the Republicans have been in power, both in California and in the White House, for over a decade and so it should be more difficult for them to blame crime and violence on their Democratic opponents.

Yet political analysts agree that the likely outcome of last week's violence – despite general public disagreement with the acquittal that preceded it – will be a move towards the right.

This year, they argue, voters in the suburbs suburbs like Simi Valley, the predominantly white community whose jurors delivered last week's controversial verdict – will for the first time outnumber those in the cities. For those voters, reaction to the rioting is likely to outweigh reaction to the verdict.

Leading candidates set for more poll victories

By George Graham

PRESIDENT George Bush and Governor Bill Clinton seem set to win substantial, three-state victories today in their parties' primaries.

Just as in Pennsylvania's primary last week, today's votes in North Carolina, Indiana and the District of Columbia have generated little heat. Mr Bush has formally wrapped up his party's nomination, and Mr Clinton, who has already won more than 70 per cent of the delegates he needs, is now behaving as the Democrats' de facto nominee.

This robs their two surviving challengers – Mr Pat Buchanan, the right-wing television commentator, for the Republicans, and Mr Jerry Brown, the former governor of California, for the Democrats – of any realistic claim to be still in contention.

Mr Buchanan is staging his last stand in North Carolina,

Bush has formally wrapped up his party's nomination

hoping to embarrass Mr Bush by at least partially emulating the 1976 success of Mr Ronald Reagan against incumbent President Gerald Ford.

North Carolina boasts a large body of conservative voters who have consistently re-elected Senator Jesse Helms – possibly the most right-wing senator – but Mr Helms has backed Mr Bush, although with little evident relish.

On the Democratic side, Mr Brown seems unlikely to make much of a dent in Mr Clinton's ability to garner votes in the south; and opinion polls suggest he will not fare much better in Indiana or the District of Columbia.

Mr Clinton has won solid support from Indiana's political leaders – from Governor Evan Bayh to Congressman Lee Hamilton – and the state's relatively conservative voters appear to have little time for Mr Brown's "Moonbeam" image.

Recent polls show Mr Clinton winning 60 per cent of the Democratic vote in North Carolina, against Mr Brown's 13 per cent, and 55 per cent in Indiana compared with Mr Brown's 15 per cent.

But the same polls suggested that Mr Clinton would come in third in both states in a three-candidate general election against President Bush and Mr Ross Perot, the Texas businessman who is seeking to enter the election as an independent candidate.

Envy at Korean climb up financial ladder

It is no coincidence the community became a target for violence, writes Louise Kehoe

OVER the past few days the world has viewed scenes of violence in Los Angeles, recorded by helicopter television crews. Also shown over and over have been the horrific images, captured by an amateur photographer, of the beating of Mr Rodney King, a black motorist, at the hands of four white Los Angeles policemen.

But there is another videotape, less widely broadcast, that tells much more about the complexity of racial tensions that violently erupted in California last week.

This camera was mounted in a Los Angeles grocery store, and it recorded the shooting of Latasha Harlins, a 15-year old black girl, who got into an argument with a Korean grocer over paying for a $1.79 (£1.01) bottle of orange juice. Within Los Angeles' black community, Latasha is as well known as Rodney King.

The probation sentence given to her killer, Soon Ja Du, a Korean business owner, convinced many blacks that the judicial system holds double standards based upon racial discrimination. On any day of the week in this city, including the day last November when Latasha Harlins' killer was sentenced, black men are sent to jail for far lesser crimes.

It was no coincidence that in last week's violence, businesses owned by Korean immigrants were targeted for destruction. More than 850 shops and businesses owned by Korean immigrants were torched or looted. According to preliminary estimates, the Korean community suffered more than half of the total losses of about $550m.

Tensions between black Los Angelenos and Korean immigrants have been simmering for some time. Last year, blacks in South-Central Los Angeles staged a summer-long boycott of a liquor store where a black man had been shot by the Korean owner.

Resentment toward Korean and other Asian immigrants stems from their apparent ability rapidly to rise above the poverty of black and Hispanic neighbours in America's inner-city ghettos. This is especially true in South-Central Los Angeles, which 10 years ago was predominantly black.

Since then it has drawn in new Latino and Asian immigrants, including some 300,000 Koreans. Now blacks find themselves a minority, even within traditionally black neighbourhoods, competing for a dwindling supply of housing and jobs.

Asian immigrants, many of them better educated than poor Americans, own most of the grocery stores and laundries in this section of the city.

Key to the ability of Korean immigrants to climb the economic ladder is their system of mutual financial support, called *keh*, through which friends and family members provide what westerners would term venture capital for new businesses.

Typically, some 50 or so Asian immigrants pool their savings to give one of their members the opportunity to open a grocery store or a laundromat. Ultimately, each member of the group is financed, although some may have to wait a long time for their opportunity.

Others arrive in the US with substantial funds, or spend years working long hours to save money to open their own business. According to the US Census Bureau, 10 per cent of all Korean immigrants own their own businesses and 75 per cent work in a company they partially own, or work for another Korean business.

In contrast, black entrepreneurs find it almost impossible to raise capital for inner-city businesses. While blacks make up more than 12 per cent of the US population, they own only 3 per cent of businesses.

Last week some rioters not all of them black seemed intent on redressing the balance of opportunity. The fears and animosities of Korean immigrants were also displayed, at the height of the violence, as they took up guns and shot at potential looters to protect their businesses.

In the wake of the violence there have been some signs of hope. Whites and blacks joined the clean-up efforts in Koreatown over the weekend. And thousands of Koreans, calling for reconciliation, marched the streets.

Yet this conflict demonstrates that the problems of Los Angeles are not simply "black versus white". The city has complex racial and cultural tensions, sharpened by economic pressures that can set them alight.

Seoul team to discuss losses

SOUTH KOREAN officials led by Mr Huh Sung, assistant foreign minister, left Seoul for Los Angeles yesterday to discuss compensation for Korean residents who suffered losses in the riots, Reuter reports.

Mr Kim Dae-jung, leader of the main opposition Democratic party, also led a 28-member team to Los Angeles to gather information and discuss compensation measures with officials there.

South Korean students chanted anti-American slogans outside the US embassy, demanding that Korean residents in Los Angeles be compensated for riot losses.

● China told the US yesterday to put its own house in order after the race riots in Los Angeles before telling Beijing to clean up its human rights record.

"You apologists who proclaim the importance of human rights, waving your clubs condemning and interfering in other countries' internal affairs – why don't you open your eyes and look at your own domestic situation?" the People's Daily, the official Communist Party newspaper, said.

"It is a terrible irony that in this country which boasts of its human rights, white policemen's brutality can be deemed innocent and black people suffer insult," it said.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

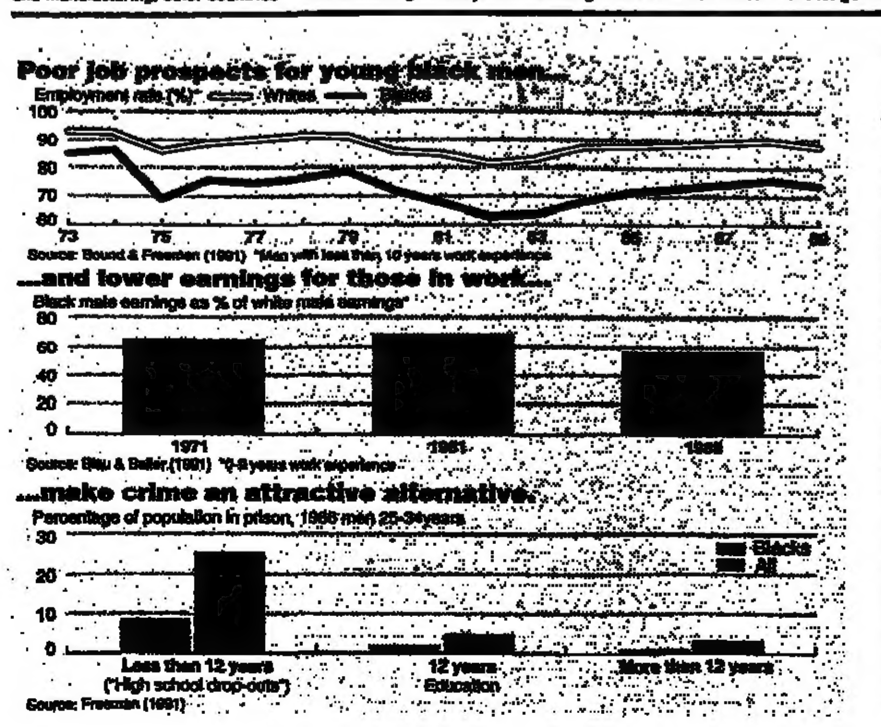
Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES					JAPAN				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.0	99.4	77.1	100.8	95.3	101.4	103.3	125.7
1987	105.6	100.7	104.0	98.7	64.7	101.2	92.5	103.1	100.6	126.9
1988	109.9	103.2	107.0	98.1	59.9	102.2	92.3	107.8	98.2	137.4
1989	115.2	108.5	110.0	98.9	63.0	105.0	94.2	114.0	98.1	131.3
1990	121.5	113.8	114.0	100.9	56.6	108.2	95.7	120.1	98.2	116.1
1991	126.6	116.3	117.0	103.6		111.8	97.3	124.4	101.7	
1st qtr.1991	5.3	3.5	3.6	3.3	52.7	3.6	2.8	3.8	1.3	118.0
2nd qtr.1991	4.8	3.4	2.9	2.7		3.1	2.3	4.3	3.0	
3rd qtr.1991	3.9	1.9	3.2	2.6		3.3	1.7	3.3	4.0	
4th qtr.1991	3.0	−0.2	2.9	1.9		3.2	0.0	3.2	6.0	
April 1991	4.9	3.3	2.7	2.5	n.a.	3.0	2.4	4.0	3.0	n.a.
May	5.0	3.5	3.5	3.0	n.a.	3.0	2.4	4.0	2.0	n.a.
June	4.7	3.5	2.8	2.8	n.a.	3.3	2.2	4.6	4.0	n.a.
July	4.4	2.9	3.5	2.5	n.a.	3.4	2.0	1.9	3.0	n.a.
August	3.8	2.0	3.5	2.9	n.a.	3.5	1.9	6.5	5.0	n.a.
September	3.4	0.8	2.6	2.5	n.a.	3.0	1.1	2.9	4.0	n.a.
October	2.9	−0.1	2.8	3.0	n.a.	3.2	0.3	2.8	6.1	n.a.
November	3.0	−0.5	3.5	1.8	n.a.	3.6	−0.1	2.7	6.0	n.a.
December	3.1	−0.1	2.6	0.8	n.a.	3.0	−0.1	3.5	6.9	n.a.
January 1992	2.6	−0.5	1.7	0.4	n.a.	2.1	−0.6	4.6		n.a.
February	2.8	0.4	2.6	0.3	n.a.	2.2	−0.6	1.2		n.a.
March	3.2	0.9	2.6		n.a.	2.1				n.a.

	GERMANY					FRANCE				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	104.0	104.0	111.3	102.5	97.2	104.5	101.5	101.9
1987	100.1	95.1	108.0	107.0	126.0	105.9	97.8	107.8	103.0	102.1
1988	101.4	95.2	113.0	107.0	128.2	108.8	102.8	111.1	104.0	99.3
1989	104.2	99.3	117.0	108.0	122.6	112.6	108.4	115.4	106.0	95.8
1990	107.0	101.0	124.0	110.0	125.8	116.4	107.1	120.6	110.3	100.6
1991	110.7	103.4	132.0	115.0		120.0	105.8			
1st qtr.1991	2.7	2.1	n.a.	3.4	124.2	3.4	0.7	n.a.	5.6	101.3
2nd qtr.1991	3.1	2.2	n.a.	2.4		3.2	−0.7	n.a.	4.5	
3rd qtr.1991	4.1	2.8	n.a.	4.9		3.0	−1.5	n.a.	4.5	
4th qtr.1991	4.0	2.4	n.a.	6.3		2.9	−3.6	n.a.		
April 1991	2.8	2.2	–	0.0	n.a.	3.2	n.a.	–	n.a.	n.a.
May	3.0	2.2	–	3.5	n.a.	3.2	n.a.	–	n.a.	n.a.
June	3.5	2.3	6.4	3.6	n.a.	3.3	n.a.	4.2	n.a.	n.a.
July	4.4	3.3	–	2.8	n.a.	3.4	n.a.	–	n.a.	n.a.
August	4.1	2.7	–	6.4	n.a.	3.0	n.a.	–	n.a.	n.a.
September	3.9	2.6	6.4	5.5	n.a.	2.6	n.a.	4.3	n.a.	n.a.
October	3.5	2.3	–	5.5	n.a.	2.5	n.a.	–	n.a.	n.a.
November	4.2	2.5	–	4.5	n.a.	3.0	n.a.	–	n.a.	n.a.
December	4.2	2.6	6.3	9.0	n.a.	3.1	n.a.		n.a.	n.a.
January 1992	4.0	1.6	–		n.a.	2.9	n.a.		n.a.	n.a.
February	4.3	2.0	–		n.a.	3.0	n.a.		n.a.	n.a.
March	4.8	2.5			n.a.	3.2	n.a.		n.a.	n.a.

	ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.6	101.4	103.4	104.3	107.7	104.5	92.9
1987	111.0	103.2	111.8	105.6	102.5	107.7	108.3	116.3	105.9	90.6
1988	116.5	106.8	118.4	109.7	101.9	113.0	113.2	126.2	108.9	96.8
1989	124.2	113.1	125.6	112.2	109.2	121.8	119.0	137.2	113.6	95.0
1990	131.8	117.8	134.7	120.1	117.2	133.3	126.0	150.1	123.4	98.3
1991	140.3	121.7	147.9			141.2	133.0	162.4	133.4	
1st qtr.1991	6.6	4.2	8.1	7.3	118.4	6.7	6.1	8.9	10.5	107.1
2nd qtr.1991	6.8	3.9	9.8	11.4		6.0	5.9	8.5	10.5	
3rd qtr.1991	6.4	3.1	10.7			4.8	5.5	7.8	6.9	
4th qtr.1991	6.1	2.1	10.6			4.2	5.0	7.8	4.9	
April 1991	6.7	4.0	8.5	n.a.	n.a.	6.4	6.2	9.2	12.3	n.a.
May	6.6	3.8	10.4	n.a.	n.a.	5.8	5.9	8.3	10.7	n.a.
June	6.8	3.8	10.3	n.a.	n.a.	5.8	5.7	8.0	8.5	n.a.
July	6.7	3.6	10.4	n.a.	n.a.	5.5	5.7	7.6	8.8	n.a.
August	6.3	2.9	10.9	n.a.	n.a.	4.7	5.5	8.3	7.8	n.a.
September	6.2	2.6	10.8	n.a.	n.a.	4.1	5.4	7.5	6.0	n.a.
October	6.1	2.2	10.8	n.a.	n.a.	3.7	5.0	8.3	6.3	n.a.
November	6.2	2.3	10.7	n.a.	n.a.	4.3	5.1	7.8	3.9	n.a.
December	6.0	1.9	10.4	n.a.	n.a.	4.5	4.8	7.2	4.5	n.a.
January 1992	6.1	1.3	9.4	n.a.	n.a.	4.1	4.5	7.5	5.5	n.a.
February	5.3			n.a.	n.a.	4.1	4.4	7.8	3.4	n.a.
March	5.6			n.a.	n.a.	4.0	4.5			n.a.

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.



Falling wages spell rising crime in black America

THE LOS ANGELES riots were sparked by what appeared to many to be a miscarriage of justice; and slow burning resentment arising from past decades of judicial inequality are the historical background to this latest bout of race-related discontent. But the tinder which inflamed the anger of the rioters has an important economic element: the collapse in the legal economic opportunities of badly educated young black men over the past two decades, and the rise of crime as a substitute.

The poor and poorly educated, regardless of race, have been hardest hit by the economic shifts which have affected the US economy over the past two decades. The virtual disappearance of high-wage, low-skill manufacturing employment and the rising demand for educated and technically literate graduates have opened wide gaps in wage and employment opportunities. The real wages of the lowest-paid 10 per cent of workers fell by more than 30 per cent between 1970 and the late 1980s while the percentage of unskilled men without jobs doubled to more than 30 per cent over the same period.

This long-term decline in the probability of, and return from, unskilled employment has affected young black men particularly badly. Young blacks are less likely to graduate from high school, less likely to find employment and can expect to earn a third less than young white males. A quarter of all 18-24 year olds, but 30 per cent of young blacks, failed to complete high school in the late 1980s; the employment rate of less experienced black men is now 10 percentage points lower than that of whites, as the upper chart shows; and the gap between the earnings of young blacks and whites is growing again.

Poor employment opportunities have led directly to a large rise in criminal activity among young black men, according to Mr Richard Freeman, an economics professor at both the London School of Economics and Harvard University. One-fifth of all black men aged 16-34 year of age had a criminal record in the 1980s, compared to 7 per cent of all men in that age group.

Criminal activity is also concentrated among the badly educated. According to Mr Freeman, "the proportion of disadvantaged young black men with criminal records grew so large in the 1980s that crime became a major determinant of their economic life rather than deviant behaviour on the margin." Over two-thirds of all prisoners aged 18-24, and three-quarters of black prisoners in that age group, are high school drop-outs; more than three-quarters of black male high school drop-outs aged 16-34 have a criminal record; and 26 per cent of all black male drop-outs aged 25-34 were in prison in 1986, compared to 7.4 per cent of all male drop-outs.

This rise in criminal activity partly reflects the higher relative return from crime in recent years. The rather sketchy US evidence suggests that badly educated young men can triple their take-home pay though crime. A survey in Boston in 1989 found that over two-thirds of young men believed they could make more money "on the streets", up from a third in 1980.

Crime also brings risks. Mr Freeman reports a survey of regular drug-dealers in Washington DC which found they had a 50 per cent chance of being charged with a drug offence in any given year, while those arrested had a 50 per cent chance of imprisonment. A criminal record also stunts future legitimate job opportunities. A past spell in jail reduces the probability of future work by 25-30 per cent, of which only a third is due to future imprisonment.

Any serious attempt to reduce inner-city poverty and non-employment in the US will have to reduce the incentive to become involved in crime. Mr Freeman argues that a rise in legitimate labour force participation will require a combination of spending on law enforcement, rehabilitation for past offenders and education for likely drop-outs. The scale of the recent destruction suggests these programmes would be worth the money.

Edward Balls

National Bureau of Economic Research Working Paper No. 3875; 1050 Massachusetts Avenue, Cambridge MA 02138, USA.

NEWS: INTERNATIONAL

Democratic frontrunner sets out his vision for the presidency

Clinton attains his finest hour

By Jurek Martin in New Orleans

WHETHER or not Governor Bill Clinton's campaign for the presidency strikes gold, he may reflect when it is over on the high and low water marks on the long road to the White House or back to Arkansas.

If so, he would surely conclude that one of his finest oratorical hours took place in New Orleans at the weekend. On Saturday, less than 72 hours after Los Angeles had erupted in flames, he delivered a speech which defined as well as any why he wanted to be president and of what sort of country he wished to preside over.

"Of course I want to be president," he said. "But, more important than that, I want you to think of what kind of citizen you want to be."

The "you" in this case were members of the Democratic Leadership Council, who are very much Mr Clinton's sort of people – professionals, committed, successful. Rev Jesse Jackson once unkindly called the DLC the "Democratic leisure club" and, judging by the number of its members toting golf clubs off the charter flight last week, it was impossible to deny he had a point.

But it was also impossible to deny that Mr Clinton spoke with real feeling.

He did so without the benefit of a prepared text or teleprompter, relying on, but not referring to, his hand-scrawled notes. While, after so much campaigning, no speech can be said to be wholly spontaneous, the performance served to remind how good a public speaker Mr Clinton can be.

The traditions of southern oratory are not lost on him.

He set out his stall early. "Thomas Jefferson once said that the crisis of slavery is a fire bell in the night. The crisis in Los Angeles is now our fire bell in the night."

His alarm was over race, fear and social division.

It was one thing for the nation to unite in response to a crisis, be it the Gulf war, the assassination of a public figure, or Magic Johnson, the basketball player, contracting the HIV virus. "But when the crisis passes, when we go back to the day-to-day ordinary living of life, I say we are not a community.

"We should be afraid, my fellow Americans. But we must face our fears and stop running from them." And this could only begin with the recognition of "the hard truth" that race was at the root of much of this.

"White Americans all too often fear that violence has only a black face. They see it on the news, they see it in their movies, they are gripped by the isolation of their own experience. Blacks, too, often fear that too often violence has a black face – and no one cares."

What happened in Los Angeles was "the plaintive cry of millions of Americans who know there is no community today".

But this was not the bleeding heart liberal Clinton, or the professional governor with a million programmes for every problem, or the politician seeking to assign partisan blame. Indeed, he blamed his own party as much as the Republicans for having let the country down.

Of the Democrats, he said: "Too often people think we haven't paid as much attention to the victims of crime as we should have. Too often they think we have clung to putting their tax money into programmes year after year, whether they work or not. Too often we have heard members of our party say that those who seek to reform the welfare system are the enemies of the poor.

"Too often we have had a leadership in our nation's capital paralysed and divided, mirroring a country all too divided. And when that happens, we all pay."

He conceded that, as a politician, his credibility was not high. "People say you are a politician, how can I believe you?" There was no answer unless people were honest with themselves, honest about race and crime and honest enough to say that "here is what the leaders should do and here is what the people must do". Without that ingredient there could only be frustration.

With it, he had some ideas: better community policing, community service, not incarceration for the youngest and least violent offenders, serious gun control ("you cannot make the case that a kid's need for an assault weapon is protected under the constitution of the United States"), strengthening families, including forced extraction of delinquent child support payments, and turning schools into meaningful experiences.

A lot of what he said derives from his personal experience; he was the child of a broken home, but brought up inside a strong extended family. He sends his daughter to a racially mixed state school in Little Rock and lived through, as a student, the 1968 urban riots in Washington.

Perfection is, of course, unattainable and he clearly has not always attained it. But that does not mean he is insincere or cannot legitimately dream.

"What is killing us today is that millions of Americans get up every day and do not believe tomorrow will be better and do not believe they can make a difference." In New Orleans he eloquently set out the case that neither is necessarily so.

Bill Clinton joins parishioners from a Washington Baptist Church in prayers for Los Angeles riot victims

Argentina seeks US fighter jets

By John Barham in Buenos Aires

ARGENTINA has said it wants to take up an offer by the US government to sell it fighter aircraft, ending the arms embargo clamped on Argentina by Britain and the US after the Falklands conflict 10 years ago.

The American A4M Skyhawks would replace aircraft Argentina lost in 1982.

On Friday, Brigadier José Juliá, air force commander, announced his "absolute conviction that before the end of the year we will see in our skies more, and better combat aircraft."

US officials played down the importance of the proposed sale. They noted that the Skyhawks were obsolete, and that they would not be supplied with weapons systems.

Government for Sierra Leone

The leaders of a coup last week in Sierra Leone have announced a 19-man government which includes two former ministers from the cabinet of ousted President Joseph Momoh, Reuter reports from Freetown.

A statement by the National Provisional Ruling Council (NPRC), which seized power from Mr Momoh on Thursday, named 27-year-old Captain Valentine Strasser as head of state, defence minister and NPRC chairman.

Among six civilians named are Mr Jim Funa, finance minister under Mr Momoh, and Mr Ahmed Dumbuya, foreign minister.

EC ministers agree food aid

EC aid ministers yesterday approved the dispatch of 800,000 tonnes of food to Africa and other famine-stricken parts of the world, David Buchan reports from Brussels.

Most of the aid, worth a total Ecu220m (£154m), represents an increase in the EC's 1992 aid budget, requiring approval of the European parliament which is expected today.

De Klerk picks ex-Gencor chief as finance minister

By Patti Waldmeir and Philip Gawith in Johannesburg

MR F W DE KLERK, the South African president, last night reshuffled his cabinet, appointing Mr Derek Keys, the former chairman of Gencor, the South African mining and industrial conglomerate, as the new finance minister.

Mr Keys, who was appointed minister of trade and industry and economic co-ordination earlier this year, will now take responsibility for finance as well. He replaces Mr Barend du Plessis who resigned 10 days ago because of exhaustion.

Mr Keys will take up his post at a time when South Africa is faced with a difficult political transition from white rule to multi-racial democracy, with a multi-party interim government expected to assume power within months.

His appointment will be welcomed by the business community, which credits him with a revolution in managerial attitudes at Gencor. Under his leadership, the company achieved a sharp improvement in profit performance, increased its stock market rating and gained a reputation as the best managed mining house in South Africa.

As Gencor chairman, he was praised for his policy of decentralised management, involving maximum delegation of duties and responsibilities – a policy which he may need to pursue in his new job, which covers a number of important economic portfolios.

Mr De Klerk also announced the appointment of Mr Roelf Meyer, one of government's chief constitutional negotiators, as minister of constitutional development, to replace Mr Gerrit Viljoen. Mr Gene Louw is to take over from Mr Meyer as minister of defence.

Old champion re-enters Kenya's democratic lists

KENYA'S fraught transition to democracy entered a new phase at the weekend with the return to Nairobi of Mr Kenneth Matiba, a founding father of Kenya's democracy movement.

Welcomed home by an enthusiastic crowd, the ex-minister and former detainee, who has spent more than a year in London receiving medical treatment after a stroke, announced his candidacy for the presidency in the election expected later this year.

It signalled the official start of the battle for the leadership of the main opposition party, the Forum for the Restoration of Democracy (Ford), likely to be as passionate as the campaign to oust President Daniel arap Moi. Ethnicity rather than ideology, personality rather than policy, are likely to determine the outcome in both cases.

Mr Matiba was given a tumultuous reception. But the thousands who turned up to greet him were drawn mostly from his Kikuyu tribe, Kenya's single largest ethnic group.

The event provoked an instant response. On the day Mr Matiba arrived home, Mr Oginga Odinga, Ford's interim chairman and undisputed leader of the Luo tribe, Kenya's second biggest ethnic group, said he would not give up his own candidacy for president. Mr Odinga, a former vice president, said that at independence he had moved aside for former President Jomo Kenyatta, a Kikuyu, and he would not do the same again.

His stand reflects widespread feelings among Kenya's ethnic groups that the Kikuyu have had their chance at political power and should now allow someone from another tribe to have the presidency. In Kenya there is a common understanding that the tribe which has captured the presidency has received a disproportionate allocation of public sector jobs and economic benefits.

Kenneth Matiba's return signals start of the fight for opposition leadership, writes Julian Ozanne

A columnist in Nairobi's Sunday Nation newspaper last week advised Mr Matiba to beware of power-hungry individuals who were bent on hijacking the democratic movement for tribal reasons and suggested he stand aside in the presidential race.

At the weekend Mr Matiba brushed aside the tribal question and said: "Kenyans are not the same as they were 20 years ago. John is John wherever he was born." Yet the reality is that Mr Matiba returned to a country torn by tribal violence fuelled by fears of impending political change.

Since the beginning of March, at least 250 people have been killed and 25,000, mostly Kikuyus, left homeless in clashes with President Moi's Kalenjin tribe in western Kenya.

Mr Matiba's candidacy is also dogged by a split in Ford's Kikuyu ranks. Many younger Kikuyu politicians are grouped around Mr Paul Muite, the lawyer activist who is adamant that the older generation of politicians should make way.

Questions have also been raised about Mr Matiba's health following his stroke. Many doubt whether he is fit enough for a gruelling campaign.

Prospects for a stable transition have not been helped by government's failure to elaborate a clear programme, negotiated with the opposition. But as long as Ford remains preoccupied by its internal battles, the uncertainty and tribal clashes will go on.

Asian Development Bank president Kimimasa Tarumizu (waving centre) fires the noon-day gun in Hong Kong where the bank is holding its annual meeting

Big capital increase sought by Asia bank

By Alexander Nicoll in Hong Kong

THE ROLE of the Asian Development Bank is likely to be scrutinised closely by its shareholders in the industrialised world following the bank's request for a large capital increase to support lending over the rest of the decade.

Bank officials say capital will need to be more than doubled to cope with projected demand for loans. However, the developed countries which provide the bulk of its capital backing are likely to question the bank's lending, which is principally to public sector projects in a few countries.

Mr Kimimasa Tarumizu, the bank's president, told its annual meeting in Hong Kong yesterday that a capital increase was an "urgent priority" and called on member countries to agree on its size and timing before the end of the year. Officials concede, though, that little real progress can be made during a US election year as the US is the largest shareholder, jointly with Japan, and allocation of new funds for international development institutions is traditionally difficult to secure in Washington.

The bank has not needed a capital replenishment since 1983 as the rapid economic growth of some members has led them to stop, or significantly reduce, borrowing, and to speed repayments. As a result, its loan portfolio is concentrated among a relatively small number of countries.

Indonesia alone accounts for $6.3bn (£3.55bn), or 34 per cent of ADB loans outstanding, and India, Pakistan and the Philippines a further 44 per cent between them. China has recently stepped up its borrowing and accounts for 5 per cent.

Although rapid economic growth is expected to continue in Asia, ADB officials forecast that demand for loans will grow at 12-15 per cent during the rest of the decade, particularly to support urgent infrastructure improvements. New financing demands will come from Vietnam when a US ban is lifted, and from Cambodia and Mongolia.

This would necessitate a commitment of $25bn-$32bn by shareholders to replenish capital, since total loans outstanding of $21bn are now approaching subscribed capital of $23bn and ADB lending cannot exceed subscribed capital. The US and Japan have each subscribed 15 per cent of the bank's existing capital and each accounts for 12.3 per cent of voting power.

Shareholders may seek a heightened commitment to promotion of private sector development from the bank.

The bank's needs for capital to back concessional lending, received by a larger number of the bank's poorer members, are not covered by the latest request.

Guerrilla leaders arrive in Kabul

By Steve Levine and Reuter in Kabul

THREE senior Afghan guerrilla leaders arrived in Kabul yesterday as at least 30 rockets fired by a rival killed 13 people and wounded 77 in the Afghan capital. Official Kabul radio blamed forces loyal to hardline guerrilla chief Gulbuddin Hekmatyar.

Kabul's night sky was riven by tracer bullets, anti-aircraft guns and rocket-propelled grenades as Burhannudin Rabbani, Mohammad Nabi Mohammadi and Abdurrab Rasul Sayyaf drove in at the head of hundreds of vehicles.

Thousands lined the route to the office of the new head of the Islamic government, Sibghatullah Mojaddedi. The three leaders had driven from Peshawar, their Pakistani base, with Shia Moslem leader Ayatollah Asif Mohseni and the chief of Afghanistan's Wahabi sect. With them were representatives of Mr Hekmatyar, whose forces fired rockets at the city to underscore his opposition to the Mojadidi government.

Under a formula worked out between the guerrilla leaders last month, Mr Rabbani was not due to come to Kabul for two months, when he would become the new head of state.

Mr Hekmatyar's armed opposition to Mr Mojadidi, and the threat he still poses to the capital, despite being pushed out of Kabul last week by fierce fighting, appears to have forced a change of course.

Mr Rabbani, whose main field commander Ahmad Shah Masood was largely responsible for the collapse of the former government, congratulated the heroes of the Mujahideen "holy war" and prayed for the survival of the Islamic government.

The presence of the guerrilla leaders will bolster Mr Mojadidi in his immediate battle with Mr Hekmatyar but could result in the very faction fighting the formula was designed to avoid.

At the same time, the Kabul-area Mujahideen commander Abdul Haq tried to negotiate the release of an abducted minister from the deposed regime.

Mr Haq said said the former civil aviation minister, Wadir Safi, was safe after being abducted on Saturday night in the capital. His capture followed the kidnap and assassination of Mr Abdul Kareem Shadan, former chief justice, whose mutilated body was found late on Saturday night.

Australian interest rates set to decline

By Kevin Brown in Sydney

AUSTRALIA'S official short-term interest rates are expected to fall by one percentage point to 6.5 per cent today, in spite of indications that recovery from 18 months of recession is already under way.

Economists said strong growth in building approvals and a higher than expected current account deficit in March were unlikely to dissuade the Reserve Bank from announcing the cut at its monthly meeting.

Most thought the bank had little option in the face of pressure from the federal Labor government and its allies in the Australian Council of Trade Unions (ACTU).

Mr John Dawkins, federal treasurer, said last week that the publication of figures showing 1.7 per cent inflation in the year to March had removed any obstacles which stood in the way of a reduction.

The unexpectedly low inflation outcome added to pressure for a cut of one percentage point rather than the half point cut previously under consideration.

Mr Bill Kelty, ACTU secretary and a member of the Reserve Bank board, argued strongly in an interview published yesterday that the larger cut was needed to ensure that the recovery gathered strength.

The authorities showed no concern about the March balance of payments figures, which showed a seasonally adjusted deficit of A$938m (£399m), compared to a revised A$625m in February.

Mr Dawkins said the figures showed the full year deficit was likely to undershoot the government's budget forecast of A$14bn, compared to A$15.7bn last year.

He also pointed to a 2 per cent increase in exports as evidence of the improved competitiveness of Australian manufacturers. However, merchandise imports rose by 3 per cent, reducing the merchandise trade surplus by A$46m to A$426m.

The government also announced yesterday that building approvals had risen by 6.9 per cent in March, the third increase in four months. The number of approvals in force is now 24 per cent higher than in March 1991.

'Religious war' threatens to erupt in Philippines poll

God is fast becoming an important factor in the election, writes Jose Galang

RELIGION is fast becoming an important factor in the Philippine election campaign with Cardinal Jaime Sin, influential leader of the Roman Catholic archdiocese of Manila entering the political fray.

The cardinal sent out a pastoral letter on Easter Sunday urging his flock to reject "oppressors and plunderers" standing in next Monday's election.

Among the seven candidates for president are a number who were associated with the autocratic government of Mr Ferdinand Marcos, deposed in a 1986 popular uprising, whom the cardinal had supported.

He followed his Easter call with sharper exhortations against voting for certain candidates. Although he has not so far identified those he is opposing by name, it is widely believed that the prelate has been referring mainly to Mr Marcos's once-powerful widow, Imelda, and the business tycoon Mr Eduardo Cojuangco, the best known of Mr Marcos's so-called cronies who were granted vast privileges when he was in power.

The cardinal's more recent harangues have included the non-Roman Catholics among the candidates: Mr Fidel Ramos, former defence secretary who is being supported by President Corazon Aquino, and Mr Jovito Salonga, former Senate president.

Cardinal Sin's plunge into the political arena was preceded by speculation that the Iglesia ni Cristo, a home-grown Christian sect, was planning to back the candidacy of Mr Cojuangco, support that was formally declared last weekend by Bishop Erano Manalo, the INC supreme minister.

Some political analysts are wondering whether these events are not leading to a "religious war" at the polling centres. Also, the Catholic Bishops Conference of the Philippines, has apparently not been united behind Cardinal Sin's moves. A small number of bishops in the southern Philippines has openly criticised his "meddling" in politics.

About 85 per cent of the 62m Philippine population are Roman Catholics. The INC, on the other hand, is estimated to have about 1m-1.5m voters, a number which could be significant if the election is close.

Some of Cardinal Sin's critics have questioned his imposing moral guidelines on his people while his church continues to receive donations raised from the gambling casinos operated by the government. It is also a question whether the influence the church is becoming used to wielding will not make it difficult soon to contain its leaders to the pulpit.

Among the presidential candidates, Mr Ramon Mitra, speaker of the House of Representatives, has been the only one not affected by the cardinal's tirades. Indeed, in an interview with a local newspaper last February Cardinal Sin said his "personal choice" was Mr Mitra, a man who epitomises for many the traditional politicians, disparagingly called *trapos* (old rags), who buy constituents' loyalty with measured largesse.

So what has Mr Ramos, the administration candidate, done to deserve the treatment he has been receiving from Cardinal Sin? In the view of some, as head of the now-defunct Philippine Constabulary, widely viewed as the most unruly sector of the military during the Marcos regime, Mr Ramos is seen as responsible for human rights violations, including against Catholic priests.

Catholic lay leaders say it was the Mitra party's firm stance against artificial birth control that swayed the cardinal's support.

The INC, which staunchly supported the Marcos administration, , has also been directly influencing government policies. Last July, for instance, it threatened to hold a mammoth rally on Manila's streets if the Aquino government did not reduce fuel prices. A compromise was worked out for the government by Mr Mitra, and the INC dropped its plan after fuel prices were reduced, but at rates much lower than those demanded by the sect.

Next week's election will be closely watched not only for the contest among the seven candidates but among the interested religious leaders.

Amnesty accuses Israelis

By Lara Marlowe in Beirut

ISRAELI officials have participated in the interrogation and torture of prisoners at Khiam jail in southern Lebanon, according to a report by the human rights group Amnesty International.

The report, based mainly on interviews with former detainees held at Khiam between 1985 and 1991, says most of the approximately 200 men and women imprisoned without charge or trial there have been tortured to get information. Victims said they were beaten and given electric shocks.

Khiam prison is run by the Israeli-financed South Lebanon Army militia. While claiming that it has no responsibility for the prison, Israel has said repeatedly that it was ready to "use its influence" to free all of the remaining Khiam prisoners and some 36 Lebanese held inside Israel in exchange for four Israeli servicemen still missing in Lebanon.

Moslems and Christians clash in Egypt

By Tony Walker in Cairo

AT LEAST 13 people were killed yesterday in clashes between Moslems and Christians in Upper Egypt. It was among the worst outbreaks of sectarian violence in many years and is certain to prompt calls for heightened security.

Egypt's Interior Ministry blamed feuding between Christian and Moslem families over the purchase of a house in a village near Assiut.

Concern is growing about tension between the two communities, especially in Upper Egypt. Christians account for about 10 per cent of Egypt's population of 58m, but they are most numerous in Upper Egypt.

BANK OF ENGLAND GOVERNORSHIP

Treasury set to endorse George

By Peter Marsh, Economics Staff

MR EDDIE George, deputy governor of the Bank of England, the UK central bank, is set to be endorsed by the Treasury as a leading candidate for the job of Bank governor when it becomes vacant next year.

Mr George is expected to be high on a short list of contenders to be drawn up by Sir Terry Burns, permanent secretary at the Treasury .

The final decision will be taken later this year by Mr John Major, prime minister, after informal discussions with government officials and in the City.

If Mr George takes the top job – replacing Mr Robin Leigh-Pemberton, who retires in June 1993 after 10 years – it would mark the first time since the 1960s that someone already at the Bank was appointed governor.

Mr George has a good working relationship with the Treasury, which the Bank advises. This is even though he and Sir Terry have disagreed fundamentally on economic policy in recent years.

Helping his candidacy is Mr George's deep understanding of financial markets and keenness to combat inflation. But his lack of experience outside the Bank and abrasive management style might count against him.

The Bank governor is technically appointed by the Queen, but there is no set selection procedure. Among those likely to be consulted is Sir Adrian Cadbury, a former chairman of Cadbury Schweppes and the most senior member on the Bank's "court" of directors.

The choice of an inside candidate would avoid the furore of 10 years ago when Mrs Margaret Thatcher appointed Mr Leigh-Pemberton, a former chairman of National Westminster Bank and a Conservative party stalwart. This was criticised on the grounds that Mr Leigh-Pemberton knew little about central banking. The last deputy governor to step up to the top was Lord O'Brien, governor between 1966 an 1973.

Steady Eddie is getting ready

Peter Marsh profiles the likely successor to Robin Leigh-Pemberton

EDDIE George is not so much knocking on the door marked "Governor" at the Bank of England. He is already half way through picking the lock.

Mr George, 53, has been deputy governor since 1990 and has 30 years experience working inside the Bank. He has a cast-iron reputation for understanding financial markets and has the trust of many in government and the City.

But while the self-effacing Mr George is probably the front-runner to take over from Mr Robin Leigh-Pemberton when he retires next year, his selection is by no means assured.

Mr George's lack of charisma may count against him; he is not a fluent public speaker, and dislikes publicity. As an archetypal backroom operator, he has a streak of deviousness – an attribute highly important in the Bank's approach to financial markets but which might be less appreciated in the top post.

Also, his reputation could be dented by the results of the inquiry by Lord Justice Bingham into last year's Bank of Credit and Commerce International scandal.

Mr George was a key person at the Bank of England involved in the supervision of BCCI. Any hint in the Bingham report, expected by the summer, that Threadneedle Street was at fault could rebound on him.

The chain-smoking Mr George joined the Bank as an economist soon after leaving Cambridge. In between, he had a short spell in Berlin, working for British intelligence. During this period, Mr George learnt fluent Russian – an ability useful nowadays in the Bank's dealings with eastern Europe.

While Mr Leigh-Pemberton mostly has an ambassadorial role, Mr George is in charge of the Bank's day-to-day operations. These include advising the Treasury on economic policy, banking and markets supervision, and acting as a semi-official cheerleader for the City. "Nothing important happens at the Bank without Eddie pulling the strings," says one insider.

Eddie George is favourite but promotion is not assured

Although outsiders may know little about Mr George, inside the Bank he is said to be extremely forceful. A former associate says: "Eddie is an achiever; he likes to be in control." Another insider says: "It's surprising how many Bank decisions are reversed in the quiet of the deputy governor's room."

This non-collegiate approach to decision making is said by some to be a product of Mr George's lack of outside experience. One former government official says of Mr George: "He is too much of an insider (for the Governor's post). You want someone who can come to the Bank with a fresh eye."

Such considerations could tip the decision about the top job towards one of the other contenders.

Also expected to be on the shortlist are Sir David Scholey, chairman of the S.G Warburg investment bank; Sir David Walker, outgoing chairman of the Securities and Investments Board; Sir Peter Middleton, chairman at Barclays Bank and former Treasury permanent secretary; and Lord Alexander, chairman of National Westminster Bank.

But where Mr George scores highly is in his preoccupation with controlling inflation. Although this is part of the job of being a central banker, Mr George is "evangelical" about this point, according to one associate.

In the past, this has led to differences of opinion with Sir Terry Burns, permanent secretary at the Treasury and another great survivor of UK economic policymaking.

In early 1988, when Sir Terry was advising Mr Nigel Lawson, the former chancellor, Mr George was an important voice at the Bank urging the Treasury to tighten monetary policy in an effort to reduce the inflationary effects of what became known as the "Lawson boom". According to one account, Mr George at the time told Mr Leigh-Pemberton he should resign if Mr Lawson failed to listen to the Bank's strictures. The Treasury did finally tighten policy – but it was too late for Mr George's liking.

More recently, when Britain cut interest rates by 1 percentage point when joining the European exchange rate mechanism in October 1990 – in a bid to capture the headlines immediately prior to the Conservative party conference – Mr George helped draft a controversial letter sent by the Bank to Mrs Margaret Thatcher. This argued – in unusually forceful tones – that the rate cut would unsettle the financial markets.

On both these occasions, history has shown that Mr George's instincts were correct. Whether he can meld the qualities he showed then of deftness and intelligence with the more outgoing role which would be required in the Governor's job will be a question exercising his fan club in the months ahead.

Britain in brief

Ford plans to reorganise R&D centres

Ford, the motor manufacturer, is to reorganise its research and development engineering activities in Europe to eliminate current duplication of activities between its UK and German R&D centres.

The restructuring, which will take advantage of technology advances allowing "simultaneous engineering" at centres geographically distant, is expected to lead to the closure of Ford's prototype manufacturing and production engineering centre at Aveley, Essex, which employs 900.

Many jobs, however, are expected to be transferred to Ford's main UK R & D centre at Dunton, 10 miles away, and to other facilities.

A formal announcement of the restructuring plans is to be made to Aveley's employees and the 3,200 working at Dunton, later this week.

New interest in temporary staff

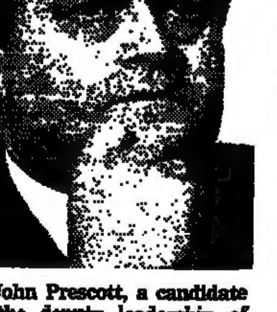
British companies are showing a new interest in taking on workers on temporary contracts, as demand starts to pick up, and union resistance to the practice appears to be waning.

Temporary contracts, which allow employers to respond more flexibly to fluctuations in demand, have been much more common in Japan and continental Europe.

But last month Dutch-owned truck maker Leyland Daf became the first big vehicle manufacturer to introduce temporary workers in its UK plants.

The practice is also spreading into areas of the public sector where it has not been common in the past. A combination of uncertainty over annual income, and devolution of bargaining, is expected to make temporary contracts attractive to trust hospitals which "opt-out" from local health authority control in the National Health Service.

Prescott attacks Labour vision



Mr John Prescott, a candidate for the deputy leadership of Britain's opposition Labour party, has hit out at calls for a "new vision" for the party, claiming its historic goals are as relevant now as they were a century ago.

In a toughly-worded speech to a May Day rally in Gwent, the party's transport spokesman (pictured above) defended Labour's links with the trade unions and implicitly castigated party "modernisers" who argue for fundamental changes in Labour's message.

Vigorously backing the case for collective action to back a campaign for a fairer distribution of wealth, Mr Prescott said: "There is much talk of the need for new radicalism and new vision in the Labour Party. But what's is wrong with the old vision?"

He said Labour's chief problem was the "lack of the conviction necessary to challenge a society in which the distribution of power and wealth is so unequal and unjust."

Poll tax costs Scots £1.6bn

The poll tax – the controversial charge levied to pay for local services – has cost Scotland more than £1.6bn, becoming "the most appalling waste of money in recent Scottish history," according to the Labour opposition.

In the final stages of the campaign for Thursday's local council elections, Labour claimed the money amounted to £800 per Scottish family.

Labour's Scottish local government spokesman Mr John Maxton gave a breakdown of what Labour claims to be the true cost of the "fiasco" – £1.67bn. This includes almost £1bn lost through non-collection, the rest made up of the government's £140 reduction, a range of relief schemes, extra administration costs over and above the rating system, and additional set-up costs.

Struggle over pollution plans

Plans to include environmental legislation in this week's Queen's Speech, which sets the agenda for the forthcoming parliament, have been shelved amid a struggle over control of a new anti-pollution agency.

Ministers had expected a consultation document to be among the measures unveiled tomorrow, but continuing disagreements between the department of the environment and the ministry of agriculture has forced a delay.

Mr Michael Howard, the new environment secretary, has proved no less dogged than his predecessor in insisting that the agency should combine the powers of the National Rivers Authority, the Pollution Inspectorate and waste disposal functions of local authorities.

But Mr John Gummer, the agriculture minister, is determined that land drainage, coastal defence and NRA activities should fall to him.

Group urges carbon tax

Friends of the Earth, the environmental pressure group, claims industry has little to lose from proposed taxes to combat global warming.

In a study published today, the pressure group criticises what it called the selfish reaction of industrial lobbies fighting EC proposals for a carbon tax. "Most companies will barely notice the impact of the tax," said energy campaigner Simon Roberts, who suggested they could even cut costs by taking up energy-saving measures. "Directors and management appear to pay little attention to energy costs or to investments to reduce them," the study said.

Growth likely for magazines

Magazines are poised for a decade of growth as consumer markets fragment and media audiences become more selective. The optimistic outlook will be unveiled by the Henley Centre for forecasting at the annual conference of the Periodical Publishers' Association in London today. "Our forecasts for corporate profitability and consumer affluence and spending suggest that both parts of the magazine sector (business and consumer) will experience strong growth in the 1990s," Henley says.

Power chief sees threat to coal sell-off

By Juliet Sychrava

PLANS TO privatise British Coal could founder if the electricity market is not urgently reformed, according to Mr John Baker, chief executive of National Power, the generator.

He called on Professor Stephen Littlechild, the electricity regulator, to intervene, and said the electricity pool, or wholesale market, could collapse because of the many gas-fired power stations being built.

His warning, which comes as National Power and its rival generator PowerGen prepare to meet Mr Tim Eggar, energy minister, is a sign that National Power is seeking to ensure a future for its coal-fired power stations, which must compete with the independent gas stations.

Mr Eggar is expected to press for an agreement on the amount and price of coal sold to British Coal by the generators. British Coal cannot be privatised until it signs contracts with the generators, because it relies on them for most of its revenue.

Mr Baker said the generators could not agree to buy coal unless they could sell the coal-fired power on to regional electricity companies.

This now looks increasingly unlikely, because National Grid, which owns and operates the electricity network, has warned that England and Wales will have 60 per cent too much electricity by 1997. The prospect of that surplus is forcing generators to jostle for long-term contracts to sell their power to customers.

But Mr Baker said the market was not "an even playing field". Many of the new gas stations had equity links with regional electricity companies which had also signed contracts to take their output.

That could leave National Power and PowerGen short of contracts, even if their stations produced cheaper power. They would have to sell their power into the pool, where the surplus could force prices close to zero. The gas stations could make 45m tonnes of British Coal's output redundant by the end of the decade, Mr Baker said. "Why aren't the regional companies talking to us?" he asked. "Why have all 12 signed long-term contracts without testing the market?"

Mr Baker said the regulator should act quickly to check whether the regional companies were breaking the rule which compels them to buy the most economic power for their customers.

"I would like to see the regulator make a decision before we sign the contracts with British Coal – if only a statement of intent," he said. "If the regulator said the regional companies could do exactly as they liked, then by definition we would have less confidence about signing long-term coal contracts." He said the regional companies should be required to invite tenders from generators.

But several regional electricity companies said they had had no offers of long-term contracts to buy coal-fired electricity from National Power. "We would take a good coal offer," one said, "but that offer has not been made."

The regional companies also pointed out that the rules allowed them to meet only up to 15 per cent of their demand from the new gas-fired stations, and most had not even signed up that much power.

But the chief executive of one regional company said there were legitimate fears that some companies had agreed to buy uncompetitive power from the new stations. And they might pass this higher cost on to consumers unless Offer, the electricity watchdog, decided to penalise regional companies for uneconomic purchasing.

But Offer shows no signs of responding quickly. It said it would start work on reviewing the issue later this year.

Business in the Community names director

By Alan Pike,
Social Affairs Correspondent

BUSINESS IN the Community has appointed Ms Julia Cleverdon chief executive.

Ms Cleverdon joined the organisation – whose president is the Prince of Wales – four years ago from the Industrial Society. She takes over as chief executive of the body, which encourages companies to take social responsibilities more seriously, from Mr Stephen O'Brien. He will be executive vice-chairman.

The organisation gains a woman director at a time when one of its leading priorities is Opportunity 2000, a drive to secure a more balanced workforce.

Ms Cleverdon hopes that initiatives such as Opportunity 2000 will help ensure that the better male-female balance of BITC's own senior staff would become the norm elsewhere.

During the 10 years since the foundation of Business in the Community – partly in response to rising youth unemployment and the redundancies of the last recession – corporate community involvement has become a more mainstream issue in Britain's boardrooms. One of the organisation's successes has been to convince some companies that there is a business case for community activities, rather than just a philanthropic one.

Ms Cleverdon sees her role as spreading this message – still largely confined to large companies.

"In the 1980s, the measurement of whether a company was making a contribution to the community was largely confined to how much money it gave," she explained. "I believe that in the 1990s companies are going to look far more strategically at a whole range of issues – charitable support, employee community involvement, purchasing policies, recruitment – and see how they can be fitted into a partnership with the community. Companies need to put their employees' efforts alongside financial assistance to make the maximum possible contribution."

Julia Cleverdon: "The private sector cannot make a difference alone"

While some industrialists still question whether involvement in the community should be a priority, Ms Cleverdon says that active companies are showing growing sophistication in their approach. She cites Tesco's campaign of offering vouchers in its stores to help schools obtain computers.

Even enthusiastic business leaders are concerned that the private sector should not be seen as an alternative to state provision. "The private sector cannot make a difference alone," says Ms Cleverdon. "We have to forge the closest possible links with the front-line parties like community organisations, schools and local authorities. But we must remember that people who work in companies and undertake community activities are not the private sector in an abstract sense. They are parents. They are school governors. They are the community."

Four business leaders have been appointed as deputy chairmen. They are Mr Peter Davis, chief executive of Reed International; Mr Eric Nicoli, group chief executive of United Biscuits Holdings; Sir Anthony Cleaver, chairman of IBM (UK), and Mr Michael Heron, a regional director of Unilever.

Ashdown to promote young MPs

By Ivo Dawnay,
Political Correspondent

MR PADDY ASHDOWN, leader of the Liberal Democrats, will today announce a limited reshuffle of his parliamentary team in which he will promote younger MPs.

Mr Matthew Taylor, the 29-year-old MP for Truro, is to be given a new post covering campaigning and communications after what was seen as a strong performance, particularly on television, during the general election.

Also set for a change of role is Mr Charles Kennedy, MP for Ross, Cromarty and Skye and the party's 30-year-old president. He is to surrender his health portfolio and support Sir David Steel, the foreign affairs spokesman, on European topics.

A full post-mortem into the Liberal Democrats' election result will not be held until after this week's council elections, the party said. In spite of Mr Ashdown's widely praised general-election campaign, the party saw its number of Commons seats drop to 20 compared with 22 won by the Liberal/SDP Alliance in 1987. Its share of the vote fell from 23 per cent to 18 per cent.

NEWS: UK

Directors wary of pension reform

By Norma Cohen, Investments Correspondent

ANY government move to prevent companies from using their pension fund surpluses for their own benefit is likely to result in significantly lower levels of corporate contributions and threaten the security of schemes, according to finance directors of Britain's largest companies.

A report to be published shortly by the 100 Group of finance directors, after a survey of its members, is the first formal response from British industry to proposals for pension fund reform aired in recent months.

Co-operation from employers who sponsor pension schemes is seen as critical in implementing any plans for reform. The companies surveyed account for roughly £97bn in pension fund assets, about a third of all those in the UK.

Since revelations that more than £400m has disappeared from pension funds controlled by the late Mr Robert Maxwell, UK lawmakers have been besieged by public demands for an overhaul of UK pensions law.

The cross-party Parliamentary Select Committee on Social Security, after months of hearings, has called for legislative changes to improve pension fund security.

While some groups have called for laws to prevent employers from using scheme surpluses, the committee failed to address the matter, saying it required further study. The report by the 100 Group shows that despite concerns that reform would hobble companies' ability to use surpluses for themselves, the vast majority of large employers believe that surpluses should be shared with workers.

Of 91 companies responding to a questionnaire, 74 said they planned to use funds to improve benefits to members, and only six said they would not do so.

An equal number said they would also use the surplus to either take a contributions holiday or would repay some of it to the company. Meanwhile, two-thirds of members said they felt pension fund costs were not onerous.

The study showed a wide degree of support for some elements of pension reform proposed by the select committee.

The finance directors are calling for "rigorous internal control and accountability in pension scheme management". The study proposes a code of practice for pension fund trustees, most of whom are company officials.

The study, the broadest of its kind in the UK, found a growing concentration of pension funds in the hands of a small number of fund managers.

Unions may 'lose' up to 1m members

By David Goodhart, Labour Editor

UNIONS could lose 1m members – or about 15 per cent of the total – as a result of impending changes by the government to rules for the automatic "check-off" of union dues by employers, according to Professor Paul Willman of the London Business School, an expert in union finances.

Tomorrow's Queen's Speech is expected to include a proposal to make check-off illegal unless an employee gives written consent to the system every three years.

The government may also require written consent every time the level of the union dues changes.

"Trade unions rely on a form of inertia-selling, and regular reconsideration of the check-off option would be regular reconsideration of union membership," Prof Willman said.

He added in an official response to last year's green paper on industrial relations that the check-off proposal would lead to "considerable" loss of membership.

Privately, many union leaders admit to similar calculations, although publicly they maintain that enthusiastic work-place campaigns to sign up for check-off could actually help increase membership. They cite the strong support for maintaining union political funds shown in the political levy ballots of the mid 1980s.

Some unions operating mainly in the public sector, such as Nupe, have almost 100 per cent of their members on check-off. The large general unions such as the TGWU and the GMB have more than 90 per cent on check-off.

Skilled and white-collar unions have slightly fewer – the engineering section of the newly merged AEEU has 80 per cent on check-off and the electrical section has only 55 per cent.

Most of those not on check-off pay by direct debit arrangements or, more traditionally, pay the shop steward.

Mr Bill Jordan, president of the AEEU, warned that if his union loses a large amount of income from the check-off rules "it will simply increase the due-collection activity of 100,000 shop stewards during working time, which is what employers wanted to get away from with check-off".

Prof Willman says that most of the extra administrative cost of the new check-off arrangement will fall on employers. Some organisations, including the Engineering Employers Federation, are opposed to the change.

Employers face calls for change

Norma Cohen on the demands prompted by the Maxwell scandal

IF THERE is any irony in the death of Robert Maxwell, it may well be that he has inspired an overhaul of UK pensions law giving future workers the security and comfort in retirement that he denied his own employees.

The disappearance of about £400m from pension funds he controlled has sparked calls from all quarters for pension reform. Most recently, the UK's most influential group of employers has given its support for new laws designed to make schemes more secure. It is widely acknowledged that employers' support will be necessary to secure genuine reform of UK pensions law.

The 100 Group of Finance Directors, which includes 145 of Britain's largest companies, is preparing to publish the results of a survey of members which broadly endorses calls for pensions reform.

It supports demands for tighter controls on fund assets and suggests a "code of conduct" for pension fund trustees. In particular, it urges trustees to ban investment managers from purchasing "shares, bonds or other assets" of the company or of the investment manager itself.

Furthermore, the report urges pension funds to disclose more about their affairs to members and urges that trustees hold an annual general meeting for beneficiaries at which their actions could be subject to questioning and challenge.

The survey covers companies controlling about £97bn in assets, about a third of all UK pension fund assets. However, the report contains a stiff warning to those arguing that pension reforms should clearly state that surpluses – built up by successive years of high investment returns – are the sole property of fund members. "The lack of clarity as to who owns the surplus often works to the advantage of the members for it can mean that employers are willing to see their pension schemes well funded in the confidence that surpluses arising are not irrevocably 'lost' to the employer," the report concludes.

Brief regrets: flags flew at half mast for Robert Maxwell before the Mirror group pensions scandal was disclosed

It goes on to say that if employers are forbidden from securing surpluses for their own use, they will fund schemes less generously and possibly place benefits at risk.

The consequences of this would have significant fiscal ramifications. Unlike most European Community countries, the UK relies heavily on voluntary employer-sponsored schemes to provide retirement income. Indeed, says Mr Alan Jenkinson, policy director at pensions consultants Noble Lowndes, a cut in employer-sponsored benefits would be likely to spur political demands for more generous state pension benefits.

Significantly, 100 Group members overwhelmingly believe that surpluses should be shared between plan sponsors and beneficiaries. Seventy-four of the 91 companies surveyed said they would either use a surplus to take a contributions holiday or repay some of it to the company. An equal number would also enhance benefits to members. Only 6 of the companies said they would rule out an improvement in benefits while 50 were against repaying some of the surplus to the company.

However, employers show little enthusiasm for suggestions that employees should have a greater say in pension fund activities. The National Association of Pension Funds has called for at least half of each scheme's trustees to be either independent or representatives of members.

The 100 Group found only nine companies among its members which had employee or independent trustees. The overwhelming majority have a trustee body on which decision-making is in effect controlled by company representatives.

Employers also expressed a desire to be able to use their surpluses to reward their executives more generously. Most members supported lifting the government's £60,000 ceiling on the portion of salary which can be taken into calculation for pension purposes.

The survey noted increasing concentration of pension fund assets in the hands of a few managers.

REGULATION OF COMPANIES IN THE ISLE OF MAN

Decision today on extending controls

By Sue Stuart

THE Isle of Man government will today announce the appointment of a senior officer to establish a regulatory system to control those in the island who form and administer companies and trusts.

Such a system is urged in a report produced about company law and trust for the Manx government and published today. The structure of such institutions is regulated in Manx law while their practitioners are not.

The highly confidential nature of trusts and some types of offshore company enables unscrupulous operators to create them for people who use them for illegal purposes. When such instances come to light it causes acute embarrassment to the Manx government and regulatory authorities. The Manx Financial Supervision Commission was set up in 1983 after the collapse of Savings and Investment Bank, and has worked hard to construct a regulatory system for the island's finance sector. Formations of companies and trusts – the backbone of any offshore financial services centre – is the final gap in Manx legislation.

Today's report was commissioned by the island's government after publication in May last year of a report by Deemster John Corrin, the island's senior judge.

He said then: "I am very concerned about the integrity and competence of those who earn their living by holding themselves out to form and administer companies."

Deemster Corrin recommended legislation:

- To regulate and control those who form and administer Manx companies.
- To make those who acquire and use Manx companies accountable to the island's authorities.
- To establish a supervision commission for companies.

The Manx government has accepted a recommendation in today's report that the job of implementing those recommendations should be given to the financial supervision commission.

Deemster Corrin also called for legislation:

- To facilitate investigation of the affairs of companies – consultation has already begun about inserting a clause in the island's Companies Bill to provide for inspections of companies.
- To regulate those who carry on business as trustees – and consultation has begun about a bill to regulate such people.
- To enable serious fraud cases to reach the courts and be heard more quickly. Legislation to secure a more speedy passage through the courts is expected this year.

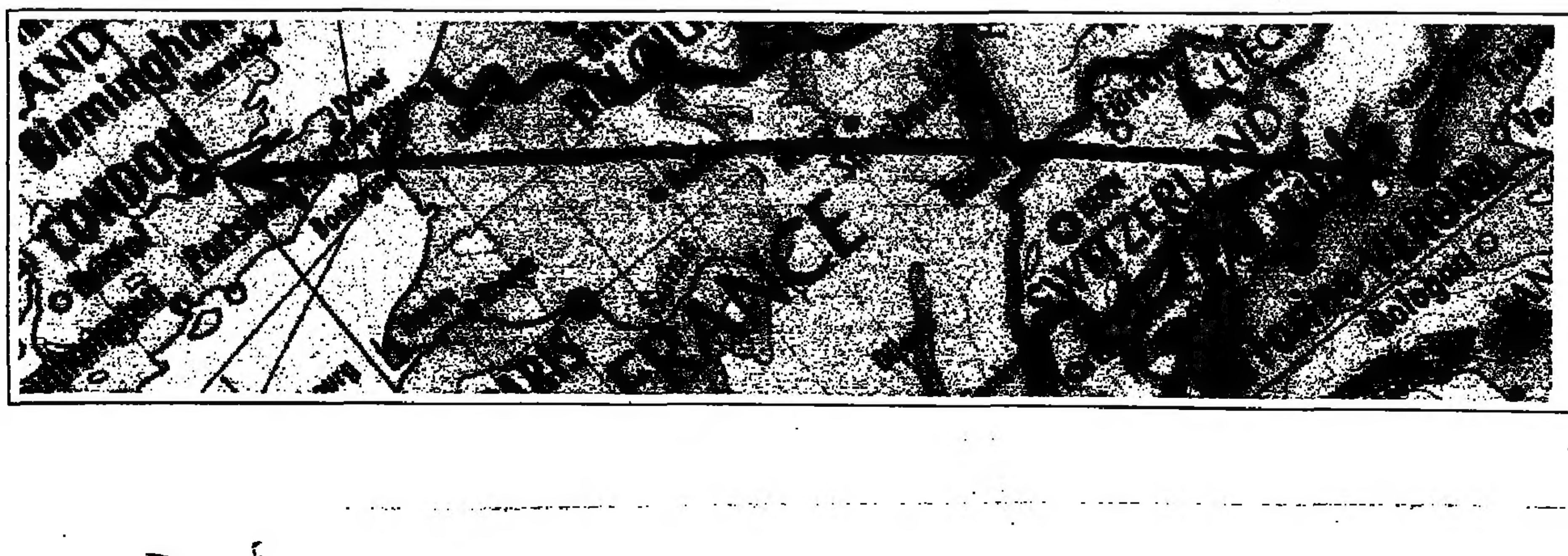
The commission will be given enough resources to appoint an officer and establish a system of regulation and supervision for all company and trust business except insurance business, which is regulated by the Manx Insurance Authority.

The commission is to submit proposals to enforce company law more effectively and to consider legislation to make those acquiring and using Manx companies more accountable to the island's authorities.

The authorities have already discussed with financial professionals the best way to regulate this area. Points discussed include a code of practice, a requirement for professional indemnity insurance, an obligation for somebody in each company to be responsible to the supervisory commission and controls on formation of companies in other areas by people based in the Isle of Man.

Mr Jim Noakes, director of the supervisory commission, said he favoured a register for practitioners rather than licensing. He felt that the concept of "fit and proper" should apply also to a company's directors, managers, owners and controllers. Failing that, they should not be allowed to stay in business in the Isle of Man.

Mr Noakes accepts that it may be hard to find the right person to be regulating officer. "We don't expect to do all this very easily, or without cuts and bruises," he said.



DANISH SHIPPING AND SHIPBUILDING

Tuesday May 5 1992

Even without the benefits of direct cash subsidies from government, the Danish shipbuilding industry has developed into the biggest in Europe (and the world's third largest). Its growth has been aided, writes Hilary Barnes, by a recovery in Denmark's merchant fleet

Yards that stay ahead

DANISH shipyards have *never received direct* cash subsidies from the government. When they found themselves in difficulties in the late 1970s, and again in the *mid-1980s, they had to improve* their productivity or go to the wall, which was indeed the fate of three of the larger yards.

The six big yards which are left have demonstrated their fitness for survival. With an order book at the end of 1991 of 1.9m gross tonnes, the Danish shipbuilding industry is the world's third largest after Japan and Korea, and the biggest in Europe.

Nobody in the industry seems to have any regrets about Denmark's policy on subsidies. On the other hand, they are extremely concerned by the subsidies paid to yards in other countries.

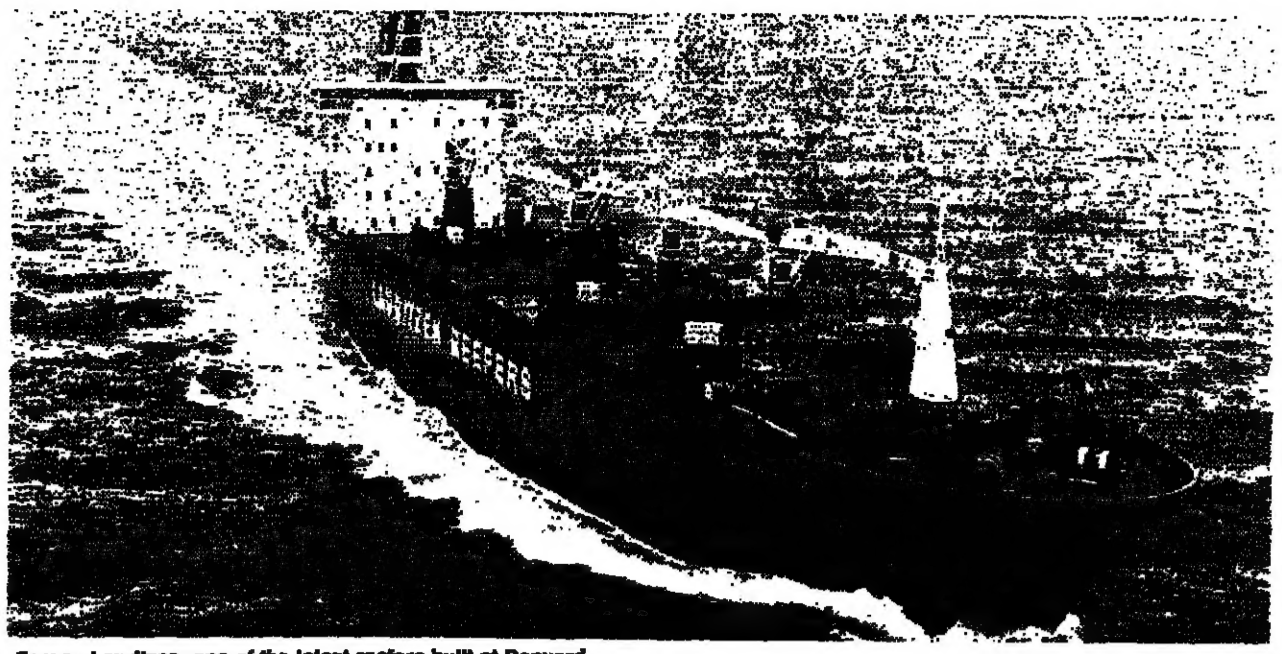
"Denmark is a special case," says Mr Kurt Andersen, managing director of the A. P. Moller group's Odense Steel *Shipyard, at Lindo* on the island of Funen. "This is the only country in Europe where everyone in the industry wants the abolition of all subsidies."

That consensus goes deep, since it is shared by the government and the industry's trade unions, as well as the shipowners and shipyard managements. Danish yards have, of course, been *subsidised*, but the *subsidies* have always been rather lower *than in other countries and the* subsidies have not gone directly to the yards but through the ship financing system, which means that the yards have *always* had to maintain a competitive edge in order to win orders. "We have had to run a little faster," as Mr Andersen puts it.

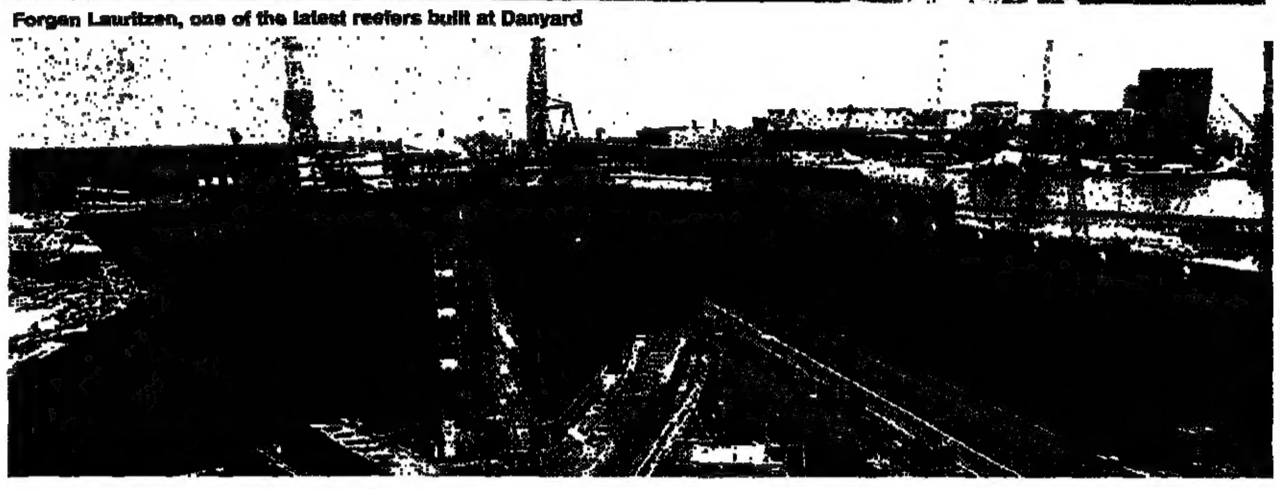
The yard at Lindo is a good example. It is widely acknowledged as one of the world's top-rank yards, perhaps more advanced than any of its competitors in the use of computer-assisted design and manufacturing *systems. It has demon*strated its efficiency by the fact that it is the only yard in Europe to have built very large crude carriers since the early *1970s.*

In February this year it won an order for three tankers of about 300,000 dwt each for Saudi Arabia's Vela International, thus showing that it is able to compete with the Asian shipbuilders.

If the Danish shipyards are doing well at present, it is because Danish shipping, with which the fortunes of the yards are inextricably *mixed, has* also enjoyed a recovery. This, of course, has much to do with international demand conditions, but the Danish maritime industries would not have survived the 1980s without *some sensible policy* decisions.



Forgan Lauritzen, one of the latest reefers built at Danyard



The Burmeister & Wain shipyard in Copenhagen

Rising costs caused a dramatic decline in the fleet under the Danish flag in the mid-1980s. The decline was stopped by the establishment in 1988 of the Danish International Ship Register (DIS). Since then, the number of ships under the *Danish flag has increased by 35* per cent and employment on board by 50 per cent, says Mr Peter Bjerregaard, managing director of the Danish Shipowners' Association.

Personnel on board DIS-registered ships are paid a net wage or salary, *is*, they pay no income tax and receive wages approximately equal to what a gross salary less income tax would be. DIS ships can also employ non-Danish seafarers.

The DIS terms were strongly opposed by the Danish Seamen's Union, but according to *Mr Bjerregaard, employment of* Danes on board has increased since the DIS was established, especially of officers, but also of seamen. The Danish Seamen's Union disputes that claim, but, says Mr Bjerregaard, that is because owners are taking on more and more skilled workers, typically members of the Metal Workers' Union, instead of traditional seamen, so there are fewer members of the Seamen's Union on board.

A second important change took place when the DIS was *established. Manning scales* were dropped and instead the authorities now approve manning levels on the basis of the safety and operating requirements of the individual ships. This means that most modern large container vessels sail with a crew of seven or eight as opposed to 13 or 14 before. "We operate under good and flexible legislation," says Mr Bjerregaard.

The maritime complex, or "Blue Denmark" as a Ministry for Industry report called the sector last year, has a total *turnover close to DKr50bn* and employs about 35,000 people in shipping, shipbuilding and associated manufacturing and service companies.

The Danish fleet at the beginning of this year comprised 600 vessels, totalling 5.3m grt and 7.9m dwt. In 1991, *there was a net increase in the* fleet of 43 ships totalling 285,000grt/478,000dwt. The tonnage under the Danish flag was 1.35 per cent of the world gross tonnage.

Danish owners had on order *at Danish yards on January 1*, 1992, 58 ships and one coal barge totalling 1.34m grt, plus 21 ships, two oil drilling rigs and two barges totalling 313,000 grt at foreign yards. The orders at Danish yards *were worth about DKr11.6bn* and at foreign yards DKr5.6bn. In addition, leasing companies had on order at Danish yards 13 vessels totalling 356,000 grt, worth about DKr4.1bn.

Gross income by Danish shipping in foreign trade increased from DKr23.29bn in 1990 to DKr27.57bn in 1991 and net income increased from DKr4.75bn to DKr8.21bn. Net *shipping earnings last year* accounted for about a sixth of Denmark's DKr50bn trade surplus.

The fleet under the Danish *flag includes 42 container ships* with a TEU (20-foot container unit) capacity of 113,000, or 6.5 per cent of world container capacity and the sixth largest *container fleet. This, however*, underestimates the real size of the Danish container fleet: A. P. Moller's Maersk Line fleet alone has a container carrying capacity of about 150,000 units; the East Asiatic Company operates 33 container vessels, with a total capacity of 28,000 units, but only six of these vessels are under the Danish flag.

Another jewel in the mer*chant fleet is the J. Lauritzen* fleet of refrigerated cargo vessels, totalling about 50 vessels, including the world's largest, with a cargo capacity of 765,000 *cubic feet*, but with such advanced computer controlled operational systems that they sail with crews of only seven. They were built at the Lauritzen Group's Danyard shipyard at Frederikshavn, Jutland.

The Danish shipyards had an order book worth about DKr18bn at the end of 1991, but this was increased by about *DKr2.5bn when the Odense* yard gained an order to supply three 310,000 dwt tankers to Saudi Arabia's Vela International this spring.

IN THIS SURVEY

The yards have a turnover of about DKr7bn a year. Employment in the shipyards is about 9,500, a third of what it was 20 years ago, but an improvement compared with the low point of only 8,400 in 1989. Only about 10 per cent of the work carried out at the yards is repair work; *the rest is new building.*

The six larger yards – Odense Steel Shipyard, Danyard, Burmeister & Wain, Svendborg Shipyard, Orskov *Shipyard and Aarhus Flydedok* – are able to build a wide variety of ships.

In addition to large tankers, the Odense yard has built a large number of container-carrying liner vessels for A. P. Moller. Bulk carriers are Burmeister & Wain's speciality. Danyard's recent programme has includes the largest refrigerated cargo vessels (reefers) in the world. Orskov's current programme is for smaller container carrying vessels (feeders) and Aarhus is building chemical carriers.

The shipping and shipbuilding companies are backed up by around 100 companies with a turnover in maritime-related business of about DKr6.5bn, according to the Industry Ministry. They include such diverse companies as Soren T. Lyngsoe, a supplier of electronic equipment, Hempel's Marine Paints, Aalborg Ciserv (marine boilers), Sabroe for *refrigeration equipment*, MAN-B&W for large two-stroke marine diesel engines, and Nordisk Gummibaadsfabrik, which produces and supplies 80 per cent of the lifeboats on board Danish ships as well as exporting all over the world.

DANISH SHIPPING AND SHIPBUILDING 2

Xueling Lin on a financing system that keeps the industry afloat

Loans work better than subsidies

INSTEAD OF resorting to cash hand-outs, Denmark has chosen an innovative form of ship financing to keep its shipbuilding industry afloat. For, unlike their European counterparts, Danish shipyards do not receive direct cash subsidies.

"We believe that we have the best system. In contrast to Sweden and Germany, where funds were pumped directly into the yards, which gave them no incentive to become more efficient, our system supports the shipping companies and not the yards. So Danish yards have been compelled to improve," explains Mr Stig Kaare Lyngsie, senior vice-president of Danmarks Skibskreditfond (DSF).

The Danish system is on offer to shipping companies of any nationality wanting to build new ships at Danish shipyards. It works through a combination of indexed loans, carrying a maximum rate of interest of 5.5 per cent all told, and OECD loans at 8 per cent over eight and half years. DSF provides financing of up to 80 per cent of the contract price, which often is arranged through a partnership financing system that provides hard-pressed Danish taxpayers with a tax break.

For the indexed loans the owner can choose either a rate of interest of 2.5 per cent with an indexation of a maximum 3 per cent per annum or a rate

A partnership financing system that provides hard-pressed Danish taxpayers with a tax break

of interest of 4 per cent with an indexation of a maximum 1.5 per cent per annum. The indexed and OECD loans are funded by bonds issued by DSF and sold on the Copenhagen Stock Exchange.

Government support enters into the picture more in the form of a guarantee than an immediate subsidy. The government promises to make up any difference between the indexation of the loan and the bond. This means that in periods of low inflation, which the Danish economy has enjoyed for the last three years, the government pays almost nothing in this guaranteed subsidy.

"We are very safe," explains Mr Per Schnack, DSF treasurer, "because our capital adequacy requirements are high at 10 per cent compared with the mortgage credit institutions which need 8 per cent. *Last year we were actually at* 27 per cent."

DSF finances nearly all commercial ship building in Denmark. Today the fund has a portfolio of 500 ships or about 0.75 per cent of the world shipping fleet. "We are one of the largest pure ship financing organisations in the world," says Mr Lyngsie.

The fund is secured by guarantee capital of DKr300m provided by the Danish central bank and members of the Danish Bankers' Association, the Danish Shipowners' Association, the Association of Danish Shipbuilders and the Danish insurance association.

The subsidy element in a ship built at a Danish yard varies with the financing system used and the date of delivery of vessels on order. If index loans only together with OECD loans are used to finance up to 80 per cent of the contract price, – the maximum permitted under interna-

In periods of low inflation, the government pays almost nothing in guaranteed subsidy

tional agreements – then the subsidy element may be as low as 2.2 per cent on ships for delivery in 1994. That would depend, however, on the rate of inflation and market rates of interest.

If partnership financing is used together with the other financing forms, the subsidy element would then rise to the maximum 9 per cent of the contract price as permitted by the EC at present.

The partnership system (similar to the widespread Norwegian one known as the k/s or kommandit system) is the most frequently used financing system where a group of small investors provides the financing for a project.

Investors buy or help finance the building of a ship and are then paid via a bare boat charter party of the vessel. Because of the large number of investors – it can be 5,000 or more for a single project – the partnership schemes have been able to finance major shipping projects.

But the real attraction for investors has been a deferred payment of tax because of the special status of these partnership systems rather than profit made directly from the investment.

Rules to cut back the tax benefits of the schemes have gradually been introduced by the Danish parliament which has been increasingly concerned that the tax break was too generous. According to OECD calculations the system is also equivalent to a subsidy of 5 to 8 per cent. That has proved enough for Denmark's politicians to take the plunge and put an end to this type of financing. Now, new partner-

The real attraction for investors has been a deferred payment of tax because of the special status of these partnership systems

ship schemes can only be set up for the building of new ships in Danish yards which must be delivered before the end of 1995.

By 1995 government subsidised loans such as those made by DSF and the partnership schemes will have disappeared. DSF is sanguine about its future. "There is massive need for financing all over Europe because of the age of the shipping fleets and we have already seen great interest in our market loans," says Mr Lyngsie.

The only mourners of the passing of shipping subsidies in Denmark will be the Danish taxpayers.

Profile of a shipping group leader

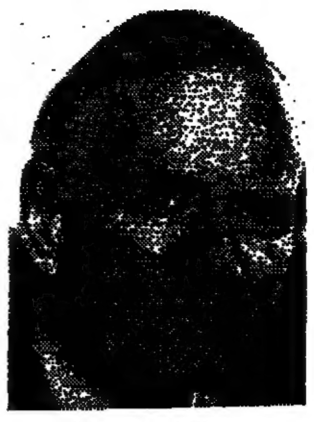
Moller heads fleet

THERE ARE 36 columns under "Moller" in the Copenhagen telephone directory, but as far as most Danes are concerned there is only one Mr Moller. His full name is Maersk McKinney Moller.

Mr Moller runs the A. P. Moller shipping, shipbuilding, oil, gas and manufacturing group, which operates one of the world's largest privately-owned merchant shipping fleets and is by far the largest Danish industrial enterprise. The group was founded by Mr Moller's father, Arnold Peter Moller and grandfather, Captain Peter Maersk Moller, in 1904.

Under Mr McKinney Moller's stewardship, the group has grown steadily stronger and larger. Turnover in 1991 was DKr23.4bn, equity capital DKr16.2bn, and assets DKr30.2bn. The market value of the group's twin parent companies, D/S 1912 and D/S Svendborg, is about DKr39bn.

The A. P. Moller fleet, which sails under the Maersk name and is easily recognisable by the seven-pointed star against a blue background, comprises about 150 vessels, ranging from container ships, through crude oil tankers, gas carriers, car carriers, roll on/roll off ships and bulk carriers, to offshore supply and service vessels (but no passenger vessels). Maersk also operates a fleet of about 50 oil drilling rigs and barges.



Maersk McKinney Moller ...

and heir apparent Söderberg

Mr Moller, who will be 79 this year, is still very much in control and takes a detailed interest in the group's multifarious activities. However, in 1991, Mr Moller, who has no son to follow him, announced that he will be withdrawing "in a couple of years" and he appointed Mr Jess Söderberg as the senior partner and his eventual successor.

Mr Moller expects and receives the complete loyalty of his staff, who respond enthusiastically to the tough demands made upon them by the head of the group. The country's politicians are not always so amenable to Mr Moller's wishes.

At the start of the crisis which led to the Gulf War, while political Denmark dithered about the extent of the country's support for the campaign against Iraq, Mr Moller made space on ships from his fleet available to the US government, free of charge, to ship military equipment to the Gulf. It was his personal means of thanking the Americans for past generosity to Europe, as well as a well-timed side-swipe at the Danish politicians for their tardiness.

He caused a few raised eyebrows at home after declaring publicly his uneasiness about the fact that, under the Maastricht treaty on European union, Denmark will be sacrificing part of her hereditary sovereignty and that "a much larger and gradually rather aggressive Germany" will become more dominant.

Some of those who want Denmark to vote against the ratification of the Maastricht treaty in the referendum that the country is holding on June 2 thought they had found an unexpected ally, but Mr Moller has disappointed them. In one of his very rare newspaper interviews, he made it clear in April that, despite some misgivings, he recommended a "Yes" to Maastricht.

Mr Moller has been involved in some dramatic clashes with the country's politicians. That happened most recently when a majority in the Folketing (parliament) in February turned down a Moller development plan for North Sea oilfields.

In a letter to his employees, he described the two politicians responsible for the decision as incompetent and went on: "Both gentlemen speak frequently, often incorrectly, and in conflict with facts of which they should be aware."

Nobody has ever been heard to cast doubt on Mr Moller's competence. The group's growth over the years is the proof.

"Constant care", a phrase coined as the group's watchword by Arnold Peter Moller, is regularly cited by Mr Moller as the watchword for everyone working for Moller companies. But it has been supplemented by a more modern phrase as a guide to performance: "Zero faults."

It is not good enough to achieve 99.9 per cent success, for, as Mr Moller points out, with only 0.1 per cent errors the heart will still miss 32,000 beats a year.

The spirit of Mr Moller's approach to his employees is caught well by the following quotation from his annual new year address to the staff at the Copenhagen seafront headquarters of the group:

"It is, however, already certain that 1992 is not going to be an easy year for us. We will have to work hard, get up early, tighten our belts and make a contribution second to none ... Our domestic expense base is higher than that of most of our competitors, and it is only through greater competence, more ingenuity, continued diligence and, dare I say – constant care – that we will be able to hold our own."

It will be the surprise of the year if they don't hold their own.

Hilary Barnes

A look at the companies' prospects

The new alliances

THE BASIC conditions for operating shipping under the Danish flag are good. The main worry now is that freight markets are weak, says Mr Peter Bjerregaard, managing director of the Danish Shipowners' Association.

Mr Bjerregaard's remarks are reflected in statements from the companies in their 1991 annual reports.

There is, in particular, considerable excess capacity in the world container liner business, and this has led over the past year to several new co-operation agreements between shipping companies in an effort to *rationalise services. For the* companies, rationalising means that every ship should carry as many containers as possible.

The big Danish operators have been much involved in these new alliances. A. P. Moller's Maersk Line entered into co-operation with the American company Sea Land last year in the Pacific, where these two companies have a combined market share of around 20 per cent.

The co-operation involves a container slot charter arrangement. Both companies, however, maintain their own marketing systems and door-to-door delivery systems. At sea, the arrangement means better utilisation of tonnage. There are more direct sailings from the main ports, shorter transit times (which reduces storage time), fewer port calls and co-ordinated use of feeder services. It adds up to a better services at lower costs without *requiring new investment.*

In Europe, Maersk has joined forces with P&O to improve services between Europe and the Middle East by a new service that is due to start operation later this month. Maersk is also one of the 12 shipping companies which recently announced a new system designed to reduce losses on North Atlantic trade.

The East Asiatic Company, which operates 33 container vessels in liner services in the Pacific, between Europe and south-east Asia, and between Australia and Asian ports, also operates co-operation agreements on all its main routes. In 1991 it established a new co-operation with Scotland's Ben Lines under the name EACBen, for transport between Europe and south-east Asia, in which EAC has a 66 per cent share.

The service, operated out of EAC's UK headquarters at Sevenoaks, Kent, involves nine *vessels and weekly sailings.* This year a link was established with America's Atlantic Container Lines for the transport of US freight to south-east Asia via Europe on EACBen vessels.

While prospects for 1992 are regarded with some misgivings by the shipping companies, their 1991 results were good, though varying considerably over the year (some types of transport benefited from the Gulf War) and between different types of ship.

The A. P. Moller shipping group, officially known as Tankers and Liners in Partnership (it is a partnership between APM's twin parent companies, D/S Svendborg and D/S 1912), reported an increase in turnover from DKr16.82bn in 1990 to DKr20.18bn in 1991. Gross profits (profits before depreciation) increased from DKr1.71bn to DKr2.32bn. The year's investments in shipping totalled a colossal DKr5.8bn.

APM predicted in its preliminary statement on 1991 results that this year's results were likely to be significantly below those of last year.

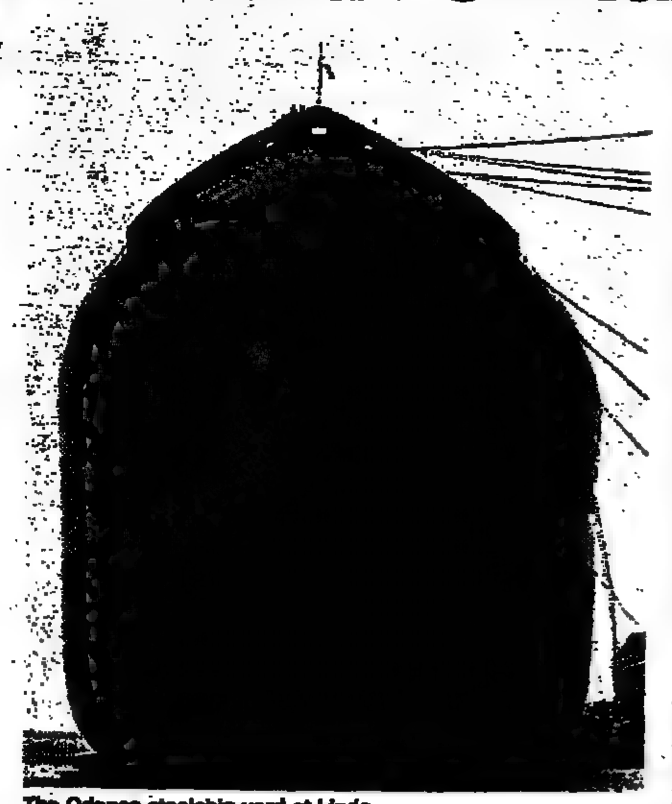
The East Asiatic Company's transport division, which at the end of 1991 operated 38 container vessels, 11 product carriers and 18 bulk carriers, increased turnover from DKr3.55bn to DKr4.50bn and gross profits from DKr587m to DKr925m. An "unsatisfactory" result is forecast for 1992 as a *consequence of falling freight* transport from south-east Asia to Europe.

J. Lauritzen Shipping increased turnover from DKr2.35bn to DKr2.82bn and gross profits from DKr440m to DKr591m, and the Lauritzen Group's other transport company, DFDS, operator of Scandinavian Seaways on the North Sea, increased turnover from DKr5.04bn to DKr5.33bn and profits (after net financial items) from DKr111m to Dkr150m.

Hilary Barnes

Hilary Barnes explains how computer-aided design has paid off

Lindo technology lands Saudi oil tanker order



The Odense steelship yard at Lindo.

IT WAS a remarkable day for Danish shipbuilding when the Odense Steel Shipyard at Lindo – known locally as the Lindo Yard – won an order to supply three 310,00 dwt oil tankers to Saudi Arabia's Vela International. Lindo won the order in February against competition from Asian yards, hitherto thought to be unbeatable when it comes to this type of ship.

It was also a lesson to a group of five European yards, from Spain, Germany and Italy, which have been working on a design project to bring back the construction of supertankers to Europe. The consortium, however, has estimated that European yards cannot be competitive with a subsidy of under 13 per cent of the contract price. The subsidy on the tankers being built for Vela will, in effect, be just over 2 per cent.

The factors which enabled Lindo to win this order are, according to Kurt Andersen, a naval architect and Lindo's managing director, a combination of high technology and well-trained employees.

Lindo is one of the most technologically advanced yards in the world. This is partly because the yard is able to build relatively large ships in a relatively long series, conditions which make investment in advanced technology viable. If other Danish yards do not use such advanced technology at all stages of the production process, it is because they do not believe that the investment would pay off.

In the past four years the yard's productivity has improved by 30 per cent

The most up-to-date robot cutting and welding systems are in use at Lindo, but what makes the yard outstanding (it is not the way of managers of companies in the A. P. Moller group to boast too openly of their achievement, so Mr Andersen merely says that Lindo is "one of a number of yards which is in the front rank") is its computer-assisted design and manufacturing system.

The Odense dock at Lindo – one of the biggest engineering projects ever completed in Denmark

The ships now under construction at Lindo were designed on the computer system. Models and conventional drawings have been dispensed with. The system also handles the planning of the complete production process, involving the acquisition and use of around 400,000 components per ship, in meticulous detail. The system at the same time controls the cutting and welding robots, and when the ships are being fitted out there is two-way communication between terminals on board the ship and onshore.

As an illustration of the advances which technology has brought to Lindo, the yard handles about the same quantity of steel as it did 20 years ago, but there are now 2,200 employees compared with 5,800 in the early 1970s. In the past four years the yard has improved productivity by 30 per cent, and Mr Andersen has set an annual 6 per cent improvement target after learning that a leading Japanese competitor was out to raise productivity by 4 per cent a year).

But technology is not everything. "The essential thing for us is that we have a large group of people who have shipbuilding under the skin and who are able to work with the best available tools," says Mr Andersen. The rapid increase in productivity has not caused friction between the management and the workforce. Relations have usually been good at Lindo in any event, but in 1986 the order book was so thin that it looked as if the yard might have to close. Without the improvement in productivity, which new technology has brought with it, there might have been no jobs at all at Lindo.

The current order book will keep the yard busy until mid-1995

Good labour relations facilitate a two-way contribution to improving productivity at the yard. A programme, known as "removing the stumbling blocks", is in process, which is designed to ensure that human resources are used with as little waste of time and effort as possible. Removing the stumbling blocks requires people on the workshop floor – if that is the right expression for a shipyard – to draw attention to and help to eliminate the obstacles to an ever-smoother production process.

"High technology is important, but it alone does not suffice: it is people together with high technology which do the trick," says Mr Andersen. The impressive advances in productivity at Lindo (and other Danish yards) have earned an extra bonus – the respect of the politicians.

There was a tendency in the 1980s to dismiss shipbuilding as a low technology business which no self-respecting industrial country need bother itself with. "This has changed," says Mr Andersen. "The politicians no longer look down on shipbuilding and recognise that even in its high technology form the industry provides a lot of jobs for well-educated workers and engineers."

Lindo's total order book is currently worth about DKr9bn and will keep the yard busy until mid-1995. It is currently building a series of six "feeder" container vessels for A. P. Moller, seven double-hulled (not just double-bottomed) 280,000 dwt oil tankers for Moller and three 310,000 dwt single-hulled tankers for Vela International are the yard's next task.

Lauritzen's role in the "ship of the future"

The largest reefers in the world

The Chiquita Deutschland from Danyard

"A SMALL but highly qualified crew is not only operationally the most satisfactory, it is also the safest," says Mr Ole Rendbaek, managing director of the Lauritzen Group's Danyard, in Frederikshavn, Jutland.

He has a vested interest in this philosophy, as Danyard has built the four largest and technically most advanced refrigerated cargo vessels ("reefers") in the world for the group's shipping company, J. Lauritzen, which operates one of the world's largest reefer fleets.

These 18,600 dwt giants, with a cargo capacity of 785,650 cubic feet, are approved for a crew of six and sail with a crew of seven or eight. The four reefers were the upshot of a ship development project initiated by the Ministry for Industry back in 1987 – "Project Ship".

The ministry's idea was to develop high technology ships, with low manning requirements and a high degree of manoeuvrability. The project was carried out over three years with the participation of 22 Danish companies and two international classification societies. The ministry contributed DKr25m to the project and the participating companies another DKr20m.

Lauritzen took up the opportunity to participate in this "ship of the future" scheme, after hesitating about being the first to introduce new technology and in spite of uncertainty about the final cost (in the event, money was not made on the first three new reefer vessels produced at Danyard, but the fourth, as well as subsequent ships in the not entirely identical series now being built for other owners did produce a positive return).

The project had an important spin-off for Frederikshavn's other yard, the Orskov Yard, which has adapted Project Ship technology into the small container carriers (feeders) in which it currently specialises. "Our ships are not quite so advanced as the Project Ship vessels," says Mr Niels Orskov Christensen, whose father founded the yard in 1958 and whose 29-year-old son, trained as a naval architect, has just joined the firm. "But we took over a lot of knowledge from Project Ship and put it to practical use."

The 10,000dwt container vessels from Orskov, which look remarkably imposing when in the process of construction on stocks in the yard, sail with a complement of 10, including cook and cabin boy. The outstanding characteristic of the Project Ship vessels is the integrated ship control systems, designed by electronics company Soren T. Lyngsoe, using state-of-the-art information technology, for navigation and supervision of the engine room and the cargo holds so that all supervision and control can be carried out from the bridge by one person.

The ships are the "one-man reefer," in the language of Danyard's promotional material: "Total one-man control of all ship functions, port to port, is now a reality." Since for long periods there may be only one man on the bridge, an alarm system is activated if no controls are touched over a predetermined period of time, and a second alarm goes off if the first alarm yields no response. Non-bridge functions are also designed for one-man operation, such as the rams for opening and closing hatch covers on the main deck and between decks, operated by a one-man remote control unit, the deployment of pilot ladders and the mooring winches.

The Lauritzen Group, with a 1991 turnover of DKr13.1bn, net profits of DKr420m, assets of DKr15.5bn and equity capital of DKr3.8bn, could well be described as the complete maritime conglomerate. Mr Sven Dyrlov Madsen Group, chief executive, refers to the group's "synergising sisters".

The group includes J. Lauritzen Shipping, which in addition to a large reefer fleet operates a big fleet of small gas tankers, more than 30 bulk carriers, five offshore drilling rigs and a small fleet of tankers. It also incorporates DFDS, the shipping and transport group which operates passenger and freight services on the North Sea and an extensive European onshore haulage business. On the industrial side, in addition to Danyard, the group includes Sabroe Refrigeration and Aalborg Ciserv. Sabroe is a specialist in industrial refrigeration and the world's leading supplier of refrigeration systems for reefer vessels. It was thus heavily involved in the four Project Ship reefer vessels, for which it designed what it claims to be the market's most sophisticated refrigeration system.

The refrigeration system is controlled by Sabroe's fully-computerised refrigeration control and management system, which provides for complete scanning of plant performance and hold conditions. The system is a windows-based menu system, which means that relatively little training is required before a person with no knowledge of computer technology is fully competent to operate it.

New additions to the Sabroe family are Klinge Cool and Lanng & Stelman, which produce cooling systems for seaborne containers and electronic control systems for cooler containers and marine engines. Aalborg Ciserv is a leading producer of boilers for marine and other industrial purposes. The group has a long tradition in the building and repair of ships. It also provides a complete marine maintenance service, winning a long-term contract last year to service the motors and machinery on the four new Lauritzen reefers. The repair and maintenance service operates from 25 locations around the world.

Hilary Barnes

Integrated computer control

Pilot on the bridge

NEW COMPUTER simulations for the shipping industry are coming very close to the advanced systems used by the aerospace sector. The simulations use a complex mathematical model linked up to large screen with computer generated images.

Standing on a "bridge" the pilot uses a joystick or wheel to manoeuvre his ship through a computer-generated harbour landscape projected on a 140 degree wide screen.

Tricky and sometimes dangerous situations, such as berthing a giant pleasure cruiser or towing a 1.5m ton offshore platform, can be tried out on the simulator in safety.

The simulations developed by the Danish Maritime Institute, which is one of the best-known research institutes in northern Europe, are far ahead of those usually found in navigational schools.

Normal simulators can offer only standard vessels and harbours. Using the DMI simulation system, the pilot trains on an exact copy of the harbour and the ship that he will be sailing, with the simulator ship reacting with all the characteristics of the real vessel.

This is possible because of a special mathematical model which is built up from data on the detailed properties of the specific vessel, harbour and environment supplied by the customer and fed into the computer.

"Pilots from Singapore who came to Denmark to train on the simulator said the computer-generated skyline and harbour of Singapore was so accurate that it made them homesick," says Mr Stig E. Sand, general manager of DMI's Marine Simulations Department.

Features such as different lighting, because manoeuvring

Tricky and sometimes dangerous situations, such as berthing a giant pleasure cruiser or towing a 1.5m ton offshore platform, can be tried out on the simulator in safety

in daylight or at dusk is very different, or changing the viewpoint, such as looking at the bridge's side while checking on the distance to the berth during docking, can also be built in to the simulation system.

Training of crews is only part of what the simulator can be used for. The DMI simulator was used in studies of how a bridge over the the Great Belt in Denmark, which is the main entrance to the Baltic Sea, would affect sea traffic.

The waterway is used by about 18,000 north/south-going ships every year and 48,000 east/west-going ferry crossings parallel to the proposed bridge every year. Surprisingly, tests on the simulator with pilots test-sailing ships under the computer-generated bridge showed that the cable bridge planned would be too narrow and dangerous for shipping traffic.

A suspension bridge is now under construction over the Great Belt which will be the longest free-standing suspension bridge in Europe.

Detailed port studies have also been made on the DMI simulation system. For example, at the busy Dover crossing, the simulating system was used to develop the optimal placing of the ferry berths so ferries could sail in and out efficiently and safely. In Singapore, which is the world's busiest harbour, the simulator was used to evaluate the Pulau Brani terminal and the channel configuration.

"The efficiency and safety benefits of our simulation system are obvious. But another important advantage that is often overlooked is the psychological impact of the simulations. They help the port authority, the consulting harbour engineer and the navigators to see the problem more clearly than they have ever done before so they can reach a solution which can satisfy their conflicting interests," explains Mr Arne Hasle Nielsen, Director of DMI.

Xueling Lin

HIGH TECHNOLOGY

Vessels that need more brains and less brawn

THE AGE of high-tech shipping has arrived. The largest reefers in the world can now be sailed by a single man because of the clever application of advanced computer technology.

In the old days, when labour was cheap and technology levels were more primitive, there was little push to update the technology used in the shipping industry. Large vessels built even in the last five years still need a crew of 20 men or more to keep the ship sailing.

The problem is that in the wealthy industrialised world, skilled manpower is expensive. The cost of employing a Danish seaman, compared with his south-east Asian counterpart, will always have the European coming out the loser. For some time, the only solution open to European shipping companies wanting to stay competitive has been to employ low-wage crews.

Employing a Danish seaman will always cost more compared with his south-east Asian counterpart

According to the Danish shipyard and computer specialists behind the most modern fleet of reefers to be built in the world, the new solution is not more cheap brawn but more brain. Under the special technology development project called "Project Ship" sponsored by the Danish Ministry of Industry, the Danish shipyard, Danyard, worked for four years with the ship automation company Soren T. Lyngsoe (STL) and 15 specialist suppliers to build the "simplest, most efficient vessel in the world."

In the past, several men were needed on the ship's bridge round the clock to keep an eye on the different functions of the vessel; checking on the route or looking at weather forecasts.

With a research budget of DKr25m, STL created a system where navigation and monitoring and control of machinery could be integrated in a single computer system which could be run by one man.

In the four new reefers, which were built for the Lauritzen Shipping Group, all important machinery is linked to the computer system which keeps check at all times on what is taking place on the vessel. A single man stands watch on the bridge in front of control panel which resembles an aeroplane cockpit. Using one screen alone he can see the entire status of the vessel.

Navigation, monitoring and control of machinery can be integrated in a single computer system run by one man

Safety levels were a vital aspect in developing the new ships because lower manning levels are often connected with more accidents on conventional vessels.

"In other systems the alarm is on its own and can block other pictures or information. We put in four lines at the top of the screen which are dedicated to alarms and watch stations which will not disappear no matter what buttons you press by mistake," explains Mr Niels Otto Wind-Jensen, sales manager of Lyngsoe-Valmet Marine, which is the arm of the STL group which specialises in marine automation and communication.

The Integrated Ship Control computer system developed by STL has four levels of redundancy. This means that the system runs with two parallel computers. For critical machinery there is a direct electric connection between an operator panel and the machinery component. If a screen blacks out, the operator can go immediately to a new station.

As a final resort, the operator is able to go down to a set of emergency controls which are purely electrical and have no connection to electronics, and control the machinery by physically pressing the button at the faulty pump.

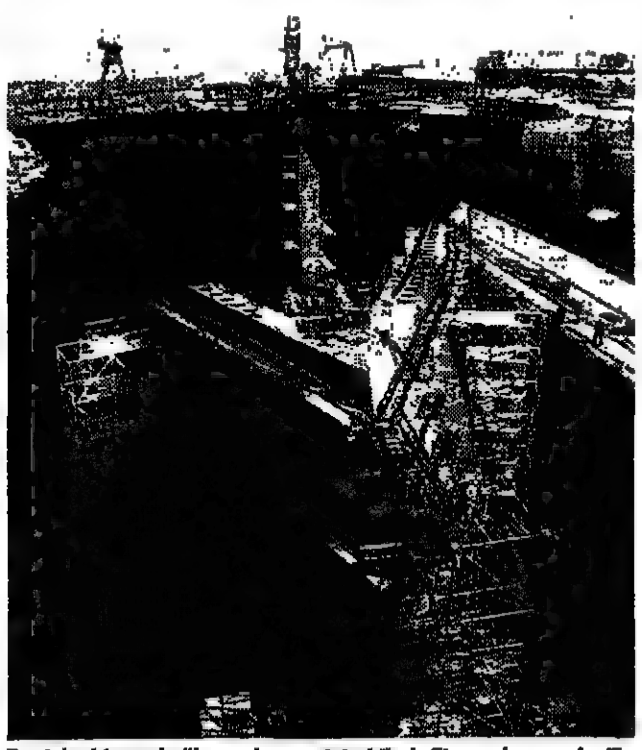
The system is also built with a "dead man's alarm" which is set off if the officer on watch were to collapse.

The computer notes every time a control lever is touched or if the radar is adjusted but if there is no activity for a pre-set number of minutes an alarm is automatically set off which, if the watchkeeping officer does not acknowledge, triggers a fresh alarm to bring assistance.

The 16,600 dwt reefer, the "Ditlev Lauritzen," which was the first of the series has proven that the new technology is not just impressive on paper but workable in real life. After two years of test sailing, the Danish Maritime Authority has given the nod for the crew to be cut to only six men.

"It is true that the demands on the crew are greater and you need highly educated officers. But it is interesting to note that theexperienced officers are just as enthusiastic about the new systems as their younger colleagues, because once they have learnt them, they find computer automation is a real help," says Mr Wind-Jensen.

Xueling Lin



Danish shipyards "have demonstated their fitness for survival"

MANAGEMENT: THE GROWING BUSINESS

Making a silk purse out of a sow's ear

Charles Batchelor reports on big changes to the traditional way of life down on the farm

Turn off the M25 motorway near St Albans to the north of London and short drive will bring you to Bowmans Farm.

There you can spend a busy afternoon showing the children the farm animals, enjoying home-made ice cream or a full meal in the restaurant and stock up with fresh produce from the farm shop.

Up to 200 children pass through each day on school trips and more than 60,000 visitors are expected this year.

Bowmans now has more staff on hand to look after its *human flock* than are required to manage its three dairy herds, its sheep and pigs and its fields of Brussels sprouts and malting barley.

For Bowmans, a 450 hectare farm 15 miles to the north of London, diversification away from traditional farming activities has proved to be big business.

It started producing ice cream and yoghurt from its surplus milk five years ago and has now expanded farm-related business to the point where it accounts for half of its income and total turnover has risen to £1.5m.

"Normally the farmer tries to chase people of his land but we encourage them to come on," says Geoff Lawrence, diversification manager at the 60-year-old farm. "Most farmers would look at the number of people tramping about the place with horror but you have to get used to dealing with the public."

In recent years many farmers have had little choice. The European Community has been cutting the level of farm price support and subsidies while renegotiation of the General Agreement on Tariff and Trade (Gatt) has brought additional pressures.

No fewer than 41 per cent of the 188,000 agricultural holdings in England and Wales have undertaken some form of diversification activity, according to a recent study by Exeter University. The average increase in the level of farm turnover was £22,000.

But the contented Sunday afternoon tripper should beware of concluding that a new golden age of enterprise has descended on the British farm scene to replace the traditional rural idyll.

"*The figure for average* farm earnings from diversification is misleadingly high," says Richard Butt, chief executive of the Rural Development Commission, which seeks to boost the rural economy.

"The level of earnings which produces that average ranges from £1m to a few hundred pounds. For many farmers, diversification produces a marginal income."

Two-thirds of farm diversification brings in less than £5,000. One-in-eight of farm businesses produces a loss and if family labour were costed at commercial rates, as many as four-out-of-10 farm diversifications would be making a loss.

These statistics suggest that farmers need to approach the idea of *diversification with caution. Is their* farm close enough to a large centre of population or in a sufficiently attractive area to draw large streams of visitors?

They must also take care to avoid setting up in the same business as every other farm in the area or at least make sure that there is enough demand for several competing farms to flourish.

"*There is a tendency for everyone* to latch on to the same idea; golf courses, mohair farming or snail breeding," says Butt.

Geoffrey Procter did decide to turn a quarter of Wide Open Farm, near York, into a golf course but only after 18 months of very careful study. Physical preparation of the *site started a year ago and the first* nine holes are due to open in June 1993 with the remaining nine due to be ready a year later.

Articles in the farming magazines make creating a golf course sound easy but it involves a lot of careful preparation, says Procter. He called in specialists to design the course and expects to employ an experienced manager to run it.

He calculates that his position, near a medium-sized town, will provide a steady flow of golf club members.

Making the switch to a new form of activity can frequently involve a large capital outlay and a long delay before the new venture starts producing income.

*Procter describes the capital out*lay on the golf course as "frightening" but declines to say how much he has spent.

John and Carolyn Pearce have spent £350,000 (including a £50,000 grant) on converting farm buildings into eight craft workshops, a gift shop and tea-room and offices on *their farm near Bakewell* in the Derbyshire Peak District.

After selling off their dairy herd, the Pearces turned their 120-acre farm over to less time-consuming sheep. The sheep produce an income of about £6,500 a year while *the gift shop, tea-room and rent* from the workshops and offices bring in £400,000.

As a spin-off from the building work, John Pearce set up in business trading reclaimed building materials and has turnover of £500,000 a year.

It took two years from the time the Pearces sold their cows to opening the tea-room, including six *months spent fighting the Peak* Park planning authority for permission *for a change of use of their* buildings.

The planning officers initially ruled against the change because the conversion would require the construction of a car park, but they were overruled. "But is still took six months during which time we were living off our bank manager," says Carolyn Pearce.

But planning controls are a significant problem for many farmers seeking to diversify their business. Brian Moore was unsuccessful in his attempt to run an ice cream parlour from his farm in the village of Weeton, in the green belt near Harrogate.

The planning authorities objected to the large volumes of traffic created by Moore's ice cream parlour. Moore fought against the planning ruling up the Crown Court and estimates he spent up to £150,000 on legal fees, part of which had to be met by selling some of his land.

Moore says the ice cream parlour accounted for one-third of his business, with the rest composed of deliveries to local retailers, so it was essential that he kept it going.

He sold the farm in Weeton and moved 30 miles across country to High Jervaulx Farm in Lower Wensleydale. "I made sure I had planning permission for the ice cream parlour before buying," he says.

But the most important factor *determining the success of diversifi*cation are the personality and the business skills of the farmer himself.

"While only a minority of farms will have a high order of entrepreneurial skills, they are used to running their own business and they are generally tough and resilient," says Butt.

"Farmers are not used to selling *because in the past, their output* would have gone to a marketing board or into intervention stocks," comments Pat Oakley, chief manager of agricultural finance and small businesses at Lloyds Bank.

"But there is a new generation of farmers who have been away to college and who are better prepared."

The changes which still face the farming community seem likely to demand all of their newly-acquired skills.

Colin Beere

Geoff Lawrence and young visitors at Bowmans Farm: "Normally the farmer tries to chase people off his land but *we encourage them to come on*"

In a Nutshell

Payments code wins prompt response

Nearly 400 companies have signed up for the prompt pay*ment* code launched by the Confederation of British Industry two months ago. Firms which pledge support for the code agree to set the terms of payment at the outset of a deal and to stick to them.

They also promise to provide suppliers with clear guidance on payment procedures and inform them of any disputes *immediately. A total of 380 com*panies have pledged their sup*port* including Anglian Water, BAT Industries, Cadbury Schweppes, Esso UK and Whitbread.

However, small business owners want the government to do more to tackle the problem of *late payments but many appear* reluctant to do anything to improve the position themselves.

Six out of 10 small businesses want the creation of a special government office to deal with late payment claims while 56 per cent want a code of payment practice which companies would have to adhere to, *according* to a survey by Barclays Bank.

But many small businesses appear complacent with 46 per cent admitting to doing nothing about the problem compared with 42 per cent which followed up late payments promptly. Twenty-three per cent of the 500 *businesses polled said late pay*ments had created severe cash flow problems.

In a separate survey by National Westminster Bank, 40 per cent of business polled said they were not being paid on time compared with almost 50 per cent of those surveyed in July 1991.

A new home on the range

Fed up with paying auditors' fees? One answer could be to register your business as a US limited liability company, according to Robert Coleman of International Corporate Compliance.*

Registration under company legislation in the state of Wyom*ing does not involve a company* paying US taxes, provided it has no US shareholders and does not do business in the US, but it does avoid the need for a UK (and a US) audit.

Companies must still file accounts with Companies' House and a bank can still register a charge against the business so US registration is not a way to escape the scrutiny of UK creditors. Nor is it a tax fiddle, says Coleman. International Corporate Compliance, itself a US limited liability company, is run by Coleman and David Sinclair, both accountants.

It has had about 25 clients, including companies in the fields *of financial services,* property development and engineering, seeking US registration since launching its service at the end of last year.

Basic registration and one year's charges cost £390 plus VAT.

**404-406 Finchley Road, London NW2 2HR. Tel 071 794 6600.*

Investment trust completes fund

Candover Investments, a listed *investment trust which finances* management buy-outs and development capital projects, has completed fund-raising for its Candover 1991 Fund with £37.5m of money raised.

When it launched the new fund, *which will back buy-outs and* buy-ins valued at up to £5m, last September, Candover set a target of between £30m and £60m.

A tough fund-raising climate has prevented several recent funds from reaching the top of their target range.

The new fund succeeds a £30m fund raised in 1987 also intended for smaller investments and now fully invested.

Taking all the factors into account

The Association of British Factors & Discounters reported a 12 per cent increase in the volume of client companies' turnover in the first quarter of 1992 compared with the same period *of last year.*

The turnover of association members rose to £3.75bn from £3.34bn reflecting both an increase in the number of companies using the services of members and growth in the turnover of existing clients.

The association, whose members provide cash to their clients against invoices, said the increase was a sign that small and medium-sized businesses were starting to recover from the recession.

Rank Hotels

17 PRESTIGIOUS CHARACTER HOTELS

1 BRISTOL, AVON. Unicorn Hotel. Close City Centre, Stn./Exhib Cent. Quayside Location. 246 en suite Beds. Rest. (76). Cafe (88). Tavern. 3 F/Rms. Car Park (400). LEASEHOLD Offers in the region of £10m.

2 TARPORLEY, CHESHIRE. Wild Boar Hotel/Rest. M6 13 m. M56 10 m. Chester 16 m. 37 en suite Beds. Rest. (75). Bar. Lounge. 4 F/Rms. Mgr's Flat. 13 Staff Beds. Car Park (100). 3 Acres. FREEHOLD Offers in excess of £950,000.

3 NANTWICH, CHESHIRE. Alvaston Hall Hotel. Close M6. Crewe 2.5 m. Country House Hotel 88 en suite Beds. Rest. (90). 17 F/Rms. Leis Cent. 45 Acres. 9 hole Golf Course. Staff Accomm. Car Park (300). FREEHOLD Offers in excess of £4m.

4 BOTLEY, HAMPSHIRE. Botley Park Hotel/Country Club. Close M27/M3. Southampton 10 m. Modern Country House hotel. 100 en suite Beds. Rest. (100). Bar. Leis Cent. 176 Acres. 18 hole Golf Course. Car Parking. Staff House. FREEHOLD Offers in excess of £10m.

5 CLAYTON LE MOORS, LANCASHIRE. Dunkenhalgh Hotel. Close M65. Burnley 7 m. Blackburn 3 m. 80 en suite Beds. Rest. (90). 3 Bars. The Dunk Inn. 8 F/Rms. Leis Cent. 17 Acres. FREEHOLD Offers in excess of £5.5m.

6 EGERTON, LANCASHIRE. Egerton House Hotel. Close M61. Blackburn 9 m. Bolton 4 m. 33 en suite Beds. Rest. (50). 2 Bars. 2 F/Rms. 4 Acres. Car Park (90). FREEHOLD Offers in excess of £1.5m.

7 BOLTON, LANCASHIRE. Last Drop Village. Close M6. Bolton 3.5 m. Blackburn 9 m. Unique Complex. Hotel, Bakery. Tea Shop. 7 Retail Units. 83 en suite Beds. Rest. (80). Bar. Leis Cent. Drop Inn P/H. Stocks Rest. (50). Penny Farthing Suite. 17 Staff Beds. Car Park (250). FREEHOLD Offers in excess of £6.5m.

8 ROCHDALE, LANCASHIRE. Norton Grange Hotel. M62 2 m. Manchester 7 m. Rochdale 2.5 m. 50 en suite Beds. Rest. (75). 2 Bars. 2 F/Rms. Outbuilding. Staff Accomm. 6 Acres. Car Park (140). FREEHOLD Offers in excess of £2.2m.

9 PRESTON, LANCASHIRE. Tickled Trout Hotel. At J31 of M6. Blackburn 7 m. Purpose-built. 72 en suite Beds. 2 Rests. (80/100). Bar. 4 F/Rms. Leis Cent. 9 Staff Beds. 3.5 Acres. Car Park (120). FREEHOLD Offers in excess of £3.5m.

10 RETFORD, NOTTINGHAMSHIRE. West Retford Hotel/Rest. Close M1. 57 en suite Beds. 2 Rests (40/50). 4 F/Rms. 9 Staff Beds. 3 Acres. Car Park (140). FREEHOLD Offers in excess of £2m.

11 TAMWORTH, STAFFORDSHIRE. The Castle Hotel. Close M42 & M6. 33 en suite Beds. Rest. (40). Bar. Pub. 2 F/Rms. Nightclub. Mgr's Flat. 3 Staff Beds. FREEHOLD Offers in excess of £950,000.

12 SHREWSBURY, SHROPSHIRE. Albrighton Hall Hotel. M54/Telford 10 m. Shrewsbury 2.5 m. 39 en suite Beds. Rest. (80). 6 F/Rms. Leis Cent. Lodge. Staff Accomm. P/P for 34 beds extension/F/Rms. 14 acres. Parking. FREEHOLD Offers in excess of £3m.

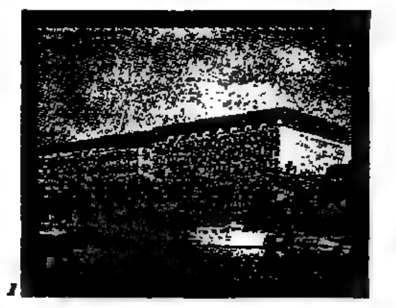
13 TELFORD, SHROPSHIRE. Park House Hotel. Close M54. Wolverhampton 10 m. 54 en suite Beds. Grill (65). Rest. (50). 2 Bars. Lounge. 3 F/Rms. Health Cent. 2 Acres. Car Park (180). FREEHOLD Offers in excess of £2.5m.

14 RUGBY, WARWICKSHIRE. Brownsover Hall Hotel. M6 0.5 m. M1 5 m. Secluded. 31 en suite Beds. Rest. (54). Bar. 3 F/Rms. Staff Accomm. P/P for 23 beds/rest/bar/conf facil. 7 Acres. Car Parking. FREEHOLD Offers in excess of £1.5m.

15 CARDIFF, SOUTH WALES. Celtic Bay Hotel. M4 5 m. Airport 11 m. 64 en suite Beds. Rest. (90). Bar. Peerless Jim's. 4 F/Rms. Leis Cent. Parking. FREEHOLD Offers in excess of £1.25m.

16 NAIRN, SCOTLAND. Golf View Hotel. Overlooking Moray Firth. 48 en suite Beds. Rest. (90). 2 Bars. F/Suite. Staff Accomm. T/Cts. Swim Pool. Car Parking. FREEHOLD Offers in excess of £950,000.

17 DORNOCH, SCOTLAND. Royal Golf Hotel. Close Airstrip. Overlooking 1st fairway. 32 en suite Beds. Rest. (90). Bar. F/Rm. Staff Accomm. Car Parking. FREEHOLD Offers in excess of £700,000.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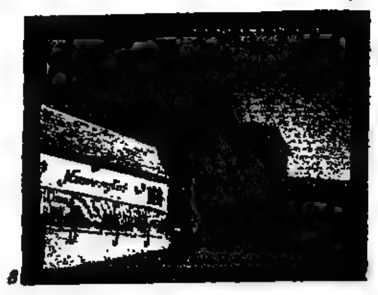
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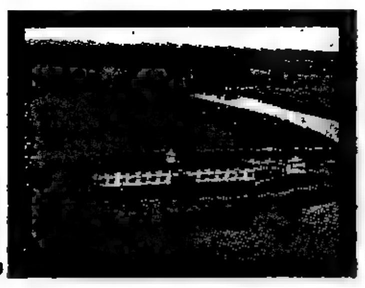
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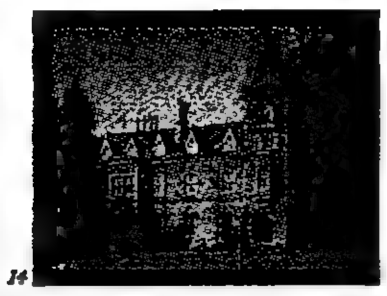
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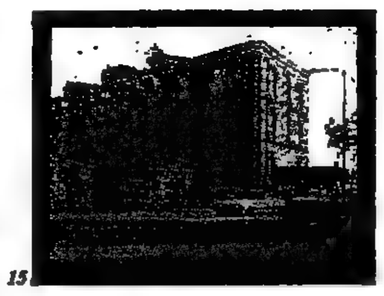
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London W1A 1BP

CHRISTIE & Co
CORPORATE DIVISION

Tel: 071-486 4231
Fax: 071-935 4032

Technical Moulded Products Limited

The Joint Administrative Receivers offer for sale the business and assets of Technical Moulded Products Limited.

The business, based in Great Barr, Birmingham, comprises a plastic injection moulding plant and a plastics recycling and reprocessing plant. The company's principal customers are in the UK domestic appliance market.

Principal features include:

- Range of injection moulding machinery and ancillary equipment.
- Reprocessing plant including compounding and granulating equipment.
- Stock and work in progress
- Goodwill.
- Leasehold property covering approximately 12,000 square feet.
- Turnover of approximately £400,000 per annum.

For further information contact the Joint Administrative Receiver, Ann Davies, KPMG Peat Marwick, 2 Cornwall Street, Birmingham, B3 2DL. Tel: 021-233 1666. Fax: 021-233 4390.

KPMG Corporate Recovery

Precision Engineering Company (East Midlands)

For Sale

Established manufacturer of plastic injection moulds. Freehold premises. Specialist machinery. Skilled workforce. Turnover £500,000 per annum. Net assets £140,000 plus freehold property. Very profitable.

For further information contact:
Michael Beardsley, KPMG Peat Marwick, Peat House, Stuart Street, Derby DE1 2EQ.
Tel: 0332 49266 ext 302. Fax: 0332 49163.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

KPMG Corporate Finance

Gramac (Mechanical Handling) Ltd. Collingwood Conveyor Equipment Ltd.

The Joint Administrative Receivers offer for sale, as going concerns, the businesses and assets of Gramac (Mechanical Handling) Ltd. and Collingwood Conveyor Equipment Ltd.

The businesses, based in Hoddesdon, Hertfordshire and Melksham, Wiltshire, have been established for many years and design and manufacture conveyor systems principally for the food industry.

Principal features include:

- Annual turnover in excess of £4 million.
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For further information contact the Joint Administrative Receiver, Tony Thompson, KPMG Peat Marwick, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire, AL3 4RF. Tel: (0727) 43000. Fax: (0727) 41005.

KPMG Corporate Recovery

BROOME PARK GOLF & COUNTRY CLUB

nr. Canterbury, Kent

The Administrative Receiver, Mr. Mark P Riley FCA, offers for sale as a going concern the business and assets of Broome Park Golf and Country Club Limited.

- 18 hole park land golf course;
- Three licensed restaurants and two bars including weekend evening jazz venue;
- Other sports facilities including tennis, squash, gym;
- Conference and banqueting facilities;
- Forward bookings including golf societies, summer ball, conferences and wedding receptions;
- Planning permission for hotel, conference facilities and leisure complex;
- Grade One listed main building.

For further information please contact:
The Administrative Receiver at
25 New Street Square
London EC4A 3LN
Tel: 071-353 1577 or Fax: 071-583 1720

CLARK WHITEHILL & Co

PROPERTY COMPANY

The Joint Administrative Receivers, David Wilton and Ian Carruthers, offer for sale the business and assets of this property company.

Principal features of the business include:

- 25,700 sq.ft. freehold retail premises
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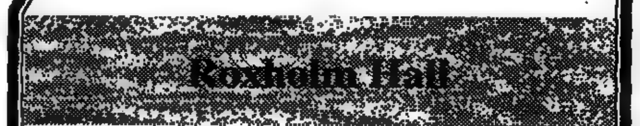
For further information contact the Joint Administrative Receiver, David Wilton or David Langton of Cork Gully, 43 Temple Row, Birmingham B2 5JT. Telephone: 021 200 4000. Fax: 021 200 4040.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

NURSING HOME



The Joint Receivers offer for sale, as a going concern, the business and assets of the Roxholm Hall Nursing Home, nr Sleaford, Lincolnshire.

Principal feature of the business include:

- countryside location of 7 acres
- freehold listed Georgian property
- 40 rooms with a total capacity of 65 beds
- stabling facilities
- substantial development potential on site
- turnover approximately £700,000 per annum
- 90% occupancy rate

For further details, please contact the Joint Receivers, J M Iredale and S J Taylor, at Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG. Telephone: (0734) 500336. Fax: (0734) 607703. Telex: 848568.

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BUSINESSES FOR SALE

LEGAL NOTICES

Notice to creditors to submit proofs
FRESHMIX LIMITED IN MEMBERS VOLUNTARY LIQUIDATION

NOTICE IS HEREBY GIVEN that the creditors of the above-named company, which is being voluntarily wound up, are required, on or before 23 July 1992, to prove their debts by sending to the undersigned, John Martin Iredale of Cork Gully, Harman House, 1 George Street, Uxbridge, Middlesex UB8 1QQ, the liquidator of the company, written statements of the amounts they claim to be due to them from the company and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt before the declaration of any dividend is not entitled to disturb, by reason that he has not participated in it, the distribution of that dividend or any other dividend declared before his debt was proved.
John Martin Iredale, Liquidator, 23 April 1992

Notice of appointment of liquidator voluntary winding up (Members or creditors) Pursuant to section 109 of the Insolvency Act 1986.
Company Number: 2041432.
Freshmix Limited
Previous name of company: Firmenich UK Limited (Changed name 1 July 1990). Manufacturers of and dealers in chemicals etc. Registerd office: c/o Firmenich UK Limited, Hayes Road, Southall, Middlesex UB2 5NN. Liquidator: John Martin Iredale, Harman House, 1 George Street, Uxbridge, Middlesex UB1 8QQ. Office holder number: 2104. Appointed on 23 April 1992 by the Members.
Date: 27 April 1992.

IN THE MATTER OF THE INSOLVENCY ACT 1986 AND M G LIFTING GEAR SERVICES LIMITED (JOINT ADMINISTRATIVE RECEIVERS APPOINTED)

NOTICE IS HEREREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a Meeting of Creditors of the above company will be held at the offices of CORK GULLY, 43 TEMPLE ROW, BIRMINGHAM, B2 5JT on MONDAY 11 MAY 1992 at 11.30am, for the purposes mentioned in Section 48 and 49 of the said ACT. A person is only entitled to vote at this meeting if:-
(a) details in writing of the debt claimed to be due from the company have been given to us, not later than 12 noon in the business day next before the meeting, and;
(b) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.

Any creditor whose claim is wholly secured is not entitled to attend or be represented at the meeting. Any creditor wishing to participate in the meeting of creditors is requested to forward details of the claim together with any proxy which is wished to be used on that creditors behalf to the offices of CORK GULLY at the above address. A copy of the Joint Administrative Receivers report may be obtained in receipt of a request in writing addressed to the Joint Administrative Receivers.
Dated this 23rd day of April 1992.
D J Carney - Joint Administrative Receiver.

Quest Exploration Limited

NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: 75-77 Colmore Row, Birmingham on Tuesday 12 May 1992 at 11.30am for the purposes mentioned in Section 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge at: 43 Temple Row, Birmingham, B2 5JT between 10.00am and 5.00pm on Friday 8 May 1992 and Monday 11 May 1992.
Dated - 27 April 1992 By Order of the Board
G Williams - Director

ART GALLERIES

SPINK, KING STREET, St James's, SW1. Annual exhibition of Watercolours & Drawings. 6-29 May. Mon-Fri 9.30-5.30

CONTRACTS & TENDERS

International Public Tendering

The Director of the Childrens Hospital in Košice, CSFR, issues an international tender for design, realisation and financing of the construction of "Childrens Hospital, Košice".

Interested companies which must be experienced in the construction of health institutions, can obtain tender conditions and the list of references at the Directors Secretariat in Childrens Hospital Košice from 11th till 15th May 1992 latest, against payment of US$1000.

Address:	Detská nemocnica Moyzesova 9 041 88 Košice Czechoslovakia
Telephone:	00 42 95 218 63
Fax:	00 42 95 275 96

CONSTRUCTION CONTRACTS

Council housing

Contracts totalling more than £6m have been awarded to WIMPEY CONSTRUCTION MIDLANDS by Birmingham City Council and Wolverhampton Borough Council.

A £4.1m contract comprises jobbing repairs, cyclical maintenance and minor improvements to the Wolverhampton Borough Council's leisure, social and educational building stock.

On the Overpool Estate in Ward End, Birmingham, work is being carried out worth £800,000 to provide 31 families with totally rewired, replumbed, redecorated and centrally heated accommodation.

Primary school

A primary school for Humberside County Council features in orders worth over £2m awarded to AF BUDGE (BUILDING).

Due for completion in August 1993, the £1.3m Griffin Primary School in Hull will be a traditional-style brick built development, constructed around a central play area.

Sheltered housing

BARRATT CONSTRUCTION has won contracts worth £5m. in west central Scotland. Work will begin shortly on a development of 47 homes, worth £1.5m, for Loretto Housing Association in Coatbridge.

The project will provide sheltered housing for up to 12 former patients of Hartwood Hospital, as well as for 35 local people who will be nominated by Monklands District Council.

In Perth, work is underway on 12 apartments which will form the second phase of a residential development for Quality Street, the private rented housing company.

Balfour Beatty set to develop next stage of Glasgow airport

Airport operator BAA is to award the contract for the next stage of development at Glasgow airport to BALFOUR BEATTY.

The £37m contract is for the design, management and subsequent construction of new international facilities at the airport.

This forms the next stage of an overall development that is expected to cost around £60m and will be built in phases to match passenger demand. The development will include a new international pier to accommodate up to eight wide-bodied aircraft, new taxiways and aircraft aprons and an extension to the west end of the existing terminal building to give better services for international passengers.

Detailed design of the project will commence immediately and construction is expected to start in the spring of 1993 with completion two years later.

The new development will be the second stage in extending and improving facilities at the airport, which has seen a big rise in its international traffic following the government's announcement of an "open skies" policy for Scotland in March 1990.

The new facility will improve the airport's capacity from the current 5.5m to 10m passengers a year.

Last year over 4m passengers passed through the airport.

Building Channel Tunnel walkways

TARMAC STRUCTURAL CONCRETE (TSC), part of Tarmac's building materials division, is already working on a £4.2m order to manufacture thousands of reinforced precast concrete units forming walkways in the Channel Tunnel.

When completed it will provide four walkways - being fitted both sides of the twin-bored rail tunnels - just over halfway to France.

The company has now won a £3.2m order to continue the four walkways all the way to the French terminal.

In total TSC is manufacturing 84,000 units, 46,000 for the first contract and 38,000 for the second - each about two-and-a-half metres long and weighing about one tonne.

Half of them, for one side of each tunnel, incorporate service ducts and include manufacturing 126,000 slabs to cover the ducting.

Work on the second contract has justed started, for completion at the beginning of next year.

This will involve producing and delivering over 1,000 units a week and they will be manufactured both at Henlade and its sister plant at Lound, Nottinghamshire.

Tarmac Construction's newly-launched European division is celebrating the start of its first building project on mainland Europe.

The division, which was launched at the beginning of the year, is construction manager for a FFr30m (£3.02m) leisure complex in Picardy.

L'Espace Culturel et Sportif is a multi-use building being developed in the centre of the town of Albert in the heart of the Somme.

The centre comprises a 600-seat theatre, gymnasium, offices/meeting rooms, covered garden and support facilities.

Hotel development near Paris airport

ARCADIAN INTERNATIONAL has concluded all the financing arrangements necessary for the development of the Hotel Grande Ferme at Gressy-en-France near Charles de Gaulle Airport, Paris.

The development comprises a 92-room four star hotel in the style of the 18th-century pressoir which, until recently, stood upon the site and will contain conference, seminar and leisure facilities.

The total project cost will be about FFr105m (£10.59m) and will be financed by a combination of equity, long-term debt and leasing.

Arcadian has signed an agreement with W Finance, a subsidiary of Athena and part of the Worms et Cie Group for the provision of the required equity for the project of FF40m. W Finance will take 62 per cent and Arcadian will take 38 per cent. Agreement has also been reached with COPARC, an insurance subsidiary within the Worms et Cie Group for the provision of the required long-term debt.

The demolition to enable construction to begin was started on February 20 and the construction phase starts this month. The hotel, which is due to open in September 1993, will be built north-east of Paris between Charles de Gaulle Airport and Euro Disney.

Offices at Birkenhead business park

WIMPEY CONSTRUCTION's north-west region has been awarded a £6.4m 90,000 sq ft office development at the Woodside Business Park in Birkenhead.

When complete, the building will be home to the north-west's regional headquarters of the Child Support Agency - housing the 500 staff needed to implement the provisions of the Child Support Act.

Sited on a riverside location adjoining the Woodside ferry terminal, the project is being developed by Wimpey Construction Developments.

Due for completion in April next year, the development comprises two three-storey blocks and a four-storey central core all clad in traditional brick with a tiled pitched roof.

The design has been developed by Wimpey Design and Build in association with architects Cassidy and Ashton and structural engineers Parkman Buck.

Following on from the phase 1 development, which was pre-sold to HM Land Registry, Wimpey has pre-let the second phase to the Child Support Agency on a 25-year lease.

PEOPLE

Inscrutability extends to Hong Kong

Spotting who is on the fast track at the Hongkong and Shanghai Banking Corporation needs the same sort of skills as a sinologist these days. Unlike most modern financial institutions Honkers and Shankers does not reveal the ages of its executive team, let alone their first names, in its annual report. So it is impossible to get a feel for who is over the hill, on the way up, and what to call them if one ever bumps into them at a cocktail party.

Now that it has even stopped publishing the names and responsibilities of its general managers in its annual report, it is well nigh impossible for a passing headhunter to spot likely talent lurking just below the boardroom table.

Occasionally students of form get a lucky break. The Midland offer document, for example, broke with tradition and let it be known that Messrs J E Strickland and F J French are both called John. They sound like they could be important but the bank is hazy about their ages, so it is hard to tell whether they are about to be put out to grass or are chairman material.

K R Whitson, 49, is another name to conjure with. Having joined the bank in 1961, he first came to prominence in the City when he was made chief executive of the group's UK business in November 1987. In 1990 he was posted to the US to be executive director of the group's troubled Marine Midland operation and now he is handing over his Marine hat to Canadian Jim Cleave.

Keith Whitson: worth watching?

Does this mean that Whitson is being promoted? The bank is as inscrutable as ever. All it will say is that Whitson's next appointment will be announced in "due course". Since he has done his statutory 30 years he could retire if he wanted to, but then that applies to most of the top executives.

The next main board appointments will be worth watching since they could give a clue as to who will take over from chairman Willie Purves, 60, who is already long past the chairman's normal retirement age.

If Whitson is leapfrogged by T W O'Brien, 44, then it is a sure sign that the current chief executive of the group's UK operations is a man to watch.

Mark Summers, previously chairman of Hill Samuel Private Client Management, has moved to James Capel, responsible for business development within the investment management division.

"TSB (Hill Samuel's parent) had been taking quite a tight grip on us and one of the things they decided to do was to put the private client investment management operation into a newly created Knightsbridge private bank." He disagreed with the strategy, and was anyway invited to take early retirement, after 31 years at Hill Samuel.

Summers, 53, says that "with children to educate and so on, I was looking for a house that could utilise my experience and it seemed that James Capel possessed very much the same ethos as we had".

His task is to increase public and professional awareness of James Capel's private client investment operation where funds under management have increased from £300m six years ago to £2bn today.

Electronic switches

■ Simon Turner is rejoining PHILIPS after three years as commercial director at Belling to become consumer marketing director responsible for CD-I in the UK.

■ Tim Cooke, formerly director of strategic development at Logica UK, has joined OASiS.

■ Phil Garvey, who joined IBM UK as a trainee salesman in 1966, has been promoted to manage IBM's Retail Chain, based in Nottingham.

■ Brian Griffiths, formerly UK director for Software Publishing Europe, has been appointed md for the UK of MIPS COMPUTER SYSTEMS.

■ Clyde Perkins has been appointed director of systems of DATAPOINT (UK).

Bodies politic

■ Ronnie Gray, md of Polbeth Packaging, has been elected chairman of the PACKAGING AND INDUSTRIAL FILMS ASSOCIATION.

■ Sir Richard Luce has been appointed president of the BRITISH ATLANTIC COMMITTEE.

■ John Cripps, who started his career as a scaffolding labourer and is now a regional director with Plant & Tools, has been appointed president of the NATIONAL ASSOCIATION OF SCAFFOLDING CONTRACTORS.

■ Tim Ross, chairman of Wimpey Minerals, has been appointed chairman of the BRITISH AGGREGATE CONSTRUCTION MATERIALS INDUSTRIES.

■ Geoffrey Wilson, who recently stepped down from an executive role at Greycoat, the company he founded, has been appointed a commissioner of English Heritage.

■ Brian Baldock, chairman and md of Guinness Brewing Worldwide, has been elected chairman of the council of the Lord's Taverners.

■ Terry Freeman, of Browning Fishing Tackle UK, has been appointed chairman of the ANGLING FOUNDATION.

■ John Ray, chief executive of Pillar Electrical, has been elected deputy president of BRITISH ELECTROTECHNICAL AND ALLIED MANUFACTURERS' ASSOCIATIONS.

Touching base back in London

Peter Stafford is returning to London from his native Manchester to become the elected chairman of Touche Ross, the accountancy firm, for the next 12 months. He replaces Michael Blackburn, who is retiring after 38 years with the firm.

Stafford will co-ordinate the work of the firm's 16-strong policy-making board. He will also be involved in raising Touche's public profile, and has already stirred the pot by echoing the firm's views that regulation of auditing should be wrested from the professional accountancy bodies and given to an independent organisation.

As managing partner at Spicer & Oppenheim in the late 1980s, he negotiated the firm's merger with Touche in 1990, before heading back to Manchester as a senior partner in the local Touche office, to specialise in audit and investigations work.

"I have lived a double life between Manchester and London for many years," he says. He is likely to continue commuting between the capital and his home in Cheshire, but while in office he will probably have to put on ice working on one of his more consuming hobbies: restoring an antique launch he bought some years ago, and is hoping to convert from petrol to steam engine.

Manchester International cello festival

Manchester's most recent festival was ambitiously devoted to Expressionism in all its forms. Of somewhat narrower focus, the city's latest festival at the Royal Northern College of Music, took a good hard look at the cello, cello- and bow-making, and just about every aspect of cello performance. Concerts, masterclasses, workshops and competitions were crammed into the four days of this the third such (biennial) celebration, attended by conservatory students from home and abroad, and featuring the services of 20 distinguished artist-professors of nine nationalities.

An intriguing, long programme on Sunday – a gala in aid of the Jacqueline du Pré Memorial Fund (the festival as a whole is dedicated to the memory of the great paraplegic virtuoso Pierre Fournier) – afforded the complete cello and piano music of Schumann, Mendelssohn and Brahms. The festival's opening concert on Thursday night was less comprehensive, but managed to fit in no less than three concertos, an *Elegy* (Fauré's Op. 24) and Tchaikovsky's *Rococo Variations*.

The BBC Philharmonic was conducted by Raymond Leppard, the sponsor was violin dealer Peter Biddulph, and there were seven soloists.

Two of them – Ralph Kirshbaum, founder-director of the festival and a professor at the RNCM – and Gregor Horsch (first winner of the festival's *Fournier* Award) – came together in the world premiere of the 46-year-old Dutch composer Tristan Keuris's double concerto, commissioned for the occasion by the BBC. This proved an enjoyable piece of writing, in the conventional three movements played without a break (lasting about 21 minutes), warmly or, as the composer indicated, autumnally romantic in feeling without any over-indulgence of the solo instruments' traditional capacities.

Clearly Keuris is a thoroughly professional, fastidious composer whose notes would tell no matter how abstractly he might choose to deploy them. Though customarily athematic (as he informs us), his music on this occasion ventures into melody, and succeeds most strikingly with it in the tautly poised oboe part at the beginning of the lento movement. But these keenly eloquent duettists were able to invest numerous passages, however fleeting, in the outer movements (the first a constant doubling and halving of tempo, the third a scherzo) with glowing melodic impulse.

The scoring is for a sizeable orchestra but with horns alone of the brass section and no bassoons, omissions meant to promote the soloists. Oddly enough it was the retention of a bassoon in the Vivaldi G minor concerto for two cellos and strings with which the concert began (Wolfgang Boettcher and Thomas Demenga) that gave the music its distinctive savour. The German, Boris Pergamenschikow, was a marvellously passionate soloist in the Schumann concerto: in the smallish hall his playing had the immediacy of speech itself. The Finn, Arto Noras, concluded the evening with a very classy account of the Tchaikovsky.

Paul Driver

Alastair Muir

Trevor Nunn's new production of Benjamin Britten's opera 'Peter Grimes' at the Glyndebourne festival

Glyndebourne

Peter Grimes/Così fan tutte

The Glyndebourne festival got under way this weekend – unwontedly early, so as to make time for building the bigger new opera house by 1994, but not too unseasonably. At the dinner interval of *Peter Grimes* on Saturday there were some intrepid picnickers on the lawn, and many more on Sunday (sunnier and warmer) during *Così fan tutte*. The famous gardens, front and side, are intact, though not blooming yet; the cosy rear gardens and the tennis court have already become building sites.

We need not be sentimental about the old house. The price of its vaunted intimacy has always been a tight, airless acoustic: good for words, unflattering to many voices, tricky for any conductor handling a Romantic-size orchestra. With 1,150 seats the new house will be larger by only a third, but the extra sound-space should be a boon.

On the other hand, producers will be inclined more than ever toward *multum in parvo* stagings – "Aren't we clever to squeeze so much on to this little stage?" – not least, to entertain the ever-increasing proportion of their audience that has no great interest in opera, whether Mozart's or anybody else's.

Trevor Nunn's new production of Britten's *Peter Grimes* is extremely striking, but not overweening. The large cast, down to the last villager, is presented in such sympathetic detail that the staging never dominates. It opens nevertheless with a terrific visual coup: a whole, towering wall of people crammed into the Borough's Moot Hall for the inquest, and singing with maximum impact. Individual characters emerge at once: Donald Adams' crusty Coroner, Geoffrey Moses' comically long-faced functionary, Susan Bickley's beady-eyed, excitable Mrs Sedley (less of a witch than usual).

John Gunter's basic set is a crosswise section of a bleak East Anglian shore, but it can accommodate a slice of the village too – cramped buildings leaning together, narrow winding lanes: as vividly natural as the *Albert Herring* sets in the Peter Hall version. Grimes's hut is a plausible boat-hulk, set high enough to leave a dangerous drop to the sea, with room below for the procession of wrathful villagers. Britten's sea-interludes are allowed to speak for themselves against nothing more than a changing play of light on the front-cloth.

The grim story is played out with considerable impact. The East Anglian accents that Nunn has made everybody learn are an uncertain asset; sometimes they have the ring of picturesque "truth", sometimes only self-conscious quaintness. The Peter is an American tenor, Stephan Drakulich, who has clearly made heroic efforts to master the dialect. That may or may not account for his slightly throttled sound; but it is of a piece with the knotted character he presents, near breaking-point with bafflement and anguish.

Grimes gets no heroic gloss here, which is a mercy (only Jon Vickers could bring that off); but at his "Now the Great Bear and the Pleiades", the roof of The Boar opens to reveal a brilliant firmament. A risky inspiration: I thought it struck home powerfully, reinforcing Peter's essential claim to being a lonely visionary. Vivian Tierney sings a lovely Ellen, open-throated and scrupulously musical, too brave and sensible to be either a prissy schoolmarm or a bland saint. As Peter's luckless apprentice, 13-year-old Daniel Wilmshurst is a heart-rending picture of dumb despair.

Alan Opie makes a fine, forceful Balstrode, contributing much more to the action than mere sonorous utterances. John Graham-Hall, who was young Albert Herring to the life only a couple of seasons ago, creates a haunted Bob Boles, the sin-wracked Methodist; John Fryatt's Rector is lovingly detailed, and Robert Poulton makes a lithe, flashy Ned Keene. Menai Davies's earthy Auntie and her "nieces" (Susannah Waters and Sarah Pring) figure strongly, with help from Nunn's canny treatment: there is a hint, not overstressed, that these village whores are also the local Fates. Andrew Davis conducts the London Philharmonic to pointed effect. The score sounds superbly prepared, and there are stinging touches that rarely register in larger houses. The whole has an inexorable flow, never broken by passing events but carrying them.

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As revived by Michael McCarthy, Nunn's cruise-ship *Così* sails on with visible *éclat*, but without – so far – a convinced focus. The six principals are all good enough to weather the distractions provided by the busy, extraneous passengers and crew who populate Maria Bjornson's shifting decks; yet on Sunday the dramatic line went through blurry patches, not so much ambiguous as just undecided about the tone and flavour of the tale. With a few more performances it should find a sharper silhouette.

The ladies look too similar, but Renée Fleming and Suzanne Johnston sing them with warmth and subtlety, abetted by Lillian Watson's reliably bright Despina. John Mark Ainsley's stylish Ferrando is slightly shaded by Gerald Finley's lusty, forward Guglielmo. As Don Alfonso, James Maddalena hovers creepily at the edges of the action, a saturnine presence who never quite reveals his hand. Bruno Weil is a serviceable conductor, with some interesting ideas but no knack for welding the great act-finales into single spans.

David Murray

Glyndebourne Festival Opera. Peter Grimes in repertory to 22 June, Così fan tutte until 13 June.

Art of women reappraised

Deanna Petherbridge reviews a pioneering exhibition in Norwich

Popular histories of 20th century art have been projected as a series of dramatic moments and movements. The moments are signalled by momentous works – Picasso's "Demoiselles d'Avignon" for example – the movements are those of Cubism, Surrealism, Abstraction(ism), Post-Modernism. What is generally overlooked is that the "isms" of modernism have been "hisms", and that star artists and popular icons are only the tip of a cultural iceberg.

Ten Decades, a pioneering exhibition at the Norwich Gallery, examines the careers of 10 British women artists who participated very fully in the art of their times – a span of most of this century.

It is possible to hype the contributions of some of the included artists – Eileen Agar, the flamboyant and successful Surrealist; Gertrude Hermes, the print-maker and sculptor who shaped graphic conventions in the 1930s; Barbara Hepworth with a guaranteed seat in sculptors' Parnassus. But the aim of the exhibition, curated by Dr Katy Deepwell, is precisely to question this sort of myth-making. By presenting work once at the forefront of avant-garde practice within the context of an individual artistic development and professional career, we are encouraged to examine the criteria which have shaped art history and cultural institutions, and question why many of these women artists have been marginalised.

The 10 artists belong to a "birth cohort": all were born between 1897 and 1906. They have little else in common, being from widely varying backgrounds and having pursued very different careers except in their professional commitment to practising as painters, sculptors, print-makers, muralists and their identification with the different art movements of their times. What pulls the exhibition together, as a visual presentation as well as a coherent argument, is the way in which each group of works is hung next to text panels of the artist's biography. Apart from being extremely informative, this is also a strategy to subvert the usual pop-histories of art, which focus on headline events rather than artistic development.

The exhibition has been restricted to three works by each of the 10 artists, irrespective of their standing. The works come from different periods in the artists' lives in order to indicate change and development – again a strategy not often allowed in monocular historical survey exhibitions, where works are carefully selected to present a coherent picture. *Ten Decades* is one of those rare exhibitions where the intentions of the curator are made explicit through the presentation, and one does not have to mull through an immense catalogue to try and tease them out. Katy Deepwell knows her material so thoroughly and is so politically astute that question and strategy are identified.

Nevertheless, three works are not sufficient to inform one about unfamiliar artists and if the venue had allowed, this could happily have been a much larger exhibition. The works, chosen from private collections, are not necessarily key works, and selection could have been tighter. However there are some wonderful inclusions: Sylvia Melland's "Girder" etching of 1964 is one of her most successful prints, dramatic and vibrant. Although there is nothing referential of Japan in the work, the confident handling of the semi-abstract girder forms, and the lively texture of the sugar-lift, remind one of Hokusai's nice balance between stylised elegance of form and toughness of organisation.

Nan Youngman's "Steel Works, Ebbw Vale" of 1953 is one of the finest works on the exhibition, both distanced and moving. The little figures in the painting, overwhelmed by the industrial landscape, are ciphers and not the stylised mannequins of Lowry, whom, at a brief glance they seem to invoke. Where Lowry reduces urban and industrial decay to faux-naïve games, Youngman's technical control allows her to imbue the scene with dignity and melancholy. A much later work, "Path to the Sea" of 1976, exhibits the same combination of awesome technique and evocation of mood; here the simple composition and pale palette is handled with great delicacy and restraint.

Lilian Holt is also very well represented with a glowing, pulsating painting of broad and paint-loaded strokes evoking "City Construction, Night". Urbanism has been central to the modernist project of the 20th century, so it is not surprising that many of the women on this exhibition have used the city as their subject matter. There is also a very fine charcoal drawing of David Bomberg from 1928 – to my mind a more searching, competent drawing than Bomberg himself ever produced – which raises questions about the relationship between men and women artists. It is well documented that Lilian Holt's commitment to her partner David Bomberg and her family took precedence over her career as an artist. Part of the problem, as Dr Deepwell points out in the catalogue, is not so much that 20th century women artists have been excluded from an established profession as the fact that "Being an artist is frequently seen as being, and popularly mythologised as, more of a vocation than a profession." We all know that one can assume multiple roles as well as participating in a profession; but vocations are decreed by a patriarchal world to be singular and indivisible.

The customs of the art world are in many ways as mysterious and fixed as the rules of Trobriand Island Cricket. Deepwell deconstructs an awful lot of them in this subtle little exhibition. Whereas the art world judges artistic success by the venues and frequency of exhibitions, Deepwell investigates the other, equally significant ways, in which her 10 artists have engaged in 20th century art – through teaching; through participating in the war effort (although only Evelyn Gibbs was "officially" commissioned by the War Artists' Advisory Committee which favoured male artists); through organising artists groups and historically-significant campaigns.

Ten Decades is not a competitive or a combative exhibition, polarising the activities of male and female artists, nor does it bemoan the historical lack of opportunities for women and present them as victims. Instead it poses interesting questions through its intelligent presentation of a rarely-seen body of work.

Norwich Gallery until May 30

Jazz/Garry Booth

Ornette Coleman & Prime Time

Whatever else you have heard about the harmolodic theory of jazz – the mention of it can still bring jazz buffs to blows – Ornette Coleman's *agitato* ensemble playing leaves an indelible mark on the musical memory. His technique, pioneered in the 1950s, has influenced musicians ever since. The term he invented for group improvisation, where each musician is in a different key, stands for harmony, movement and melody. All instruments play an equal but leading role and each works independently: but towards the same colourful end.

The Prime Time band which has executed this theory since 1975 has traditionally employed a double (electric) rhythm section to beat the message home. On this tour, the band featured a keyboard player (David Bryant) and tablas (Badal Roy) in addition to electric bass (Al McDowell), two guitars (Kenny Wessel and Chris Rosenberg) and son Denardo Coleman on drums. The resulting new sound is no less challenging – the alternate meshing and colliding of instruments is still there – but with more spaces between. The movement (much of it provided by Denardo's demonic drumming) is as energetic but more approaches are made to melody and harmony than hitherto.

The guitars and piano are often used to introduce a piece, working at a melody until Ornette appears on alto or tenor sax to chase it away with a wonderful blizzard of notes. In one number – there are no introductions – Chris Rosenberg picked out what sounded like Bach's cello Suite No.1 for several minutes until Denardo came hammering across him with an industrial samba, Ornette hard on his heels with an almost straight calypso solo.

While the keyboards provide an extra melodic dimension, the clack and bong percussion of Badal Roy's tablas add excitement and colour to the new group. The guitarists twitch and also play a kind of funk with the wah wah; the bass rumbles menacingly in McDowell's hands (and ultimately in Denardo's when the two swap jobs). Scribbling serenely among this controlled anarchy on saxophones or trumpet, resplendent in a suit apparently made from cooking foil, which dazzles under the spotlight, is Ornette.

Thirty years after he dropped harmolodics on to an unsuspecting New York scene, the sight and sound of Ornette Coleman with the alto is still contemporary, modern and artistic. His most recent work is on the soundtrack for Cronenberg's *Naked Lunch* (Milan/BMG), recorded with the London Symphony Orchestra "without order, sequence, key or strict tempo". Seated and sawing frenziedly at the electric violin in front of Prime Time he remains fresh, vital and often baffling.

Royal Festival Hall. Sponsor: Silk Cut

The Boy's Own Story

The Liverpool FC manager Bill Shankly put football into perspective: "Some people think football is a matter of life and death. I can assure them it is much more serious." That truth underpins *The Boy's Own Story* by Peter Flannery at the Chelsea Centre Theatre. It makes an extraordinary one-man goal-mouth show acted by Guy Masterson; at the end of the 90 minutes, the lad done great.

Flannery's play tells of John McKenna, "the best keeper never to play for England", who now plays for Sunday-league Stratton; at 32, he is washed up and fit for nothing but more of the game he now hates. His past includes a deprived foster-childhood and a successful first division career. The play follows the Tom Stoppard tactic of watching from the margins. As Rosencrantz is to Hamlet, so is the goalkeeper to football: conspicuous by absence.

Football is a zero sum game, but especially for goalkeepers. "0-0 is the worst result for the other players. They've failed, you've succeeded." But who remembers – Gordon Banks' spectacular save from Pele in the Mexico 1970 world semi excepted – a great save? *The Boy's Own Story* knows that all goalkeeping amounts to is the pleasure of denying others.

Guy Masterson's fine, energetic performance combines all-stage dynamism with emotional control and clever parody. He hurls himself round the set and flings himself into impressions of football commentators. He manages to imply much more than he says, to insinuate intelligence. Richard Digby and Tony Yates direct, and could benefit from more sound effects to match the clever lighting.

Beneath the deliberate clichés of Flannery's play lurks this disturbing banality: football, game of two halves to the *cognoscenti* and game of two syllables to the *condescenti*, is never just a game. Until the result, normal life stops; players are then licensed to be sick as parrots or over the moon: "All that is expected of us is that we never lose." *The Boy's Own Story* knows that these pressures affect the non-sporting life more than one might care to think.

Andrew St George

Chelsea Centre Theatre until May 23. 071 352 1967

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

BERLIN

Schauspielhaus 20.00 Michael Witt conducts the Berlin Radio Orchestra and Chorus of St Hedwig Cathedral in Bernstein's Chichester Psalms, Kodaly's Psalmus Hungaricus and Stravinsky's Symphony of Psalms (East Berlin 2090 2156)
Philharmonie 20.00 Natalie Cole (West Berlin 8827 011). Tomorrow: Alfred Brendel. Fri: Berlin Radio Symphony Orchestra (2548 8232)
Deutsche Oper 19.30 Der fliegende Holländer. Thurs: L'Italiana in Algeri. Fri: Madama Butterfly. Sat: Die lustigen Weiber von Windsor. Sun: Tristan und Isolde (West Berlin 3410 249)

BRUSSELS

Palais des Beaux Arts 20.00 Piano recital by Frank Braley. Thurs: Belgian National Orchestra plays Brahms. Fri: Belgian Radio Orchestra. Sun: Royal Flanders Philharmonic (507 8200)
Monnaie 20.00 Elgar Howarth conducts John Cox's production of The Rake's Progress, designed by David Hockney, repeated on Thurs and Sat. Tomorrow: Die Klage der Kaiserin, dance film by Pina Bausch. Fri: Ottone, Ottone, dance film by Anne Teresa de Keersmaeker (219 6341)
Théâtre National 20.30 Dante's Inferno, translated and dramatised by Michel Ducobu, daily till Sat in the Petite Salle. Thurs, Fri, Sat in the Grande Salle: Berlin Schaubühne production of Kleist's Amphytrion (217 0303)

FLORENCE

The opening production of the Maggio Musicale is Philip Glass' opera The Fall of the House of Usher at the Teatro Pergola, conducted by Marcello Panni (daily till Sat). Tomorrow and Thurs in Teatro Communale: George Prêtre conducts the Orchestre National de France. Sat evening and Sun afternoon: Myung-Whun Chung conducts Berlioz's Roméo et Juliette (277 9236)

GHENT

Vooruit 20.00 Antwerp Chamber Opera in Rossini's musical farce L'inganno felice, repeated next week in Brussels (238201)

THE HAGUE

Danstheater 20.00 Cracow Opera presents Lucia di Lammermoor (360 4930). Sat in Dr Anton Philipszaal: Giulini conducts the Royal Concertgebouw Orchestra (360 9810)

LONDON

Coliseum 19.30 World premiere of The Bacchae, John Buller's new Euripides opera. Five further performances till May 28. Thurs and Sat: Madama Butterfly. Fri: Don Carlo (071-836 3161). Tomorrow and Fri at Covent Garden: Kenneth MacMillan's Manon. Thurs and Sat: L'elisir d'amore (071-240 1066)
Royal Festival Hall 19.30 Klaus Tennstedt conducts the LPO, also Sun. Tomorrow and Fri: Ashkenazy conducts the RPO. Thurs: Philip Glass Ensemble. Sat and Sun afternoon: Sinopoli conducts the Philharmonia, with Itzhak Perlman (071-928 8800)
Barbican 19.45 Sandor Vegh conducts the Chamber Orchestra of Europe. Tomorrow: Michael Tilson Thomas conducts the LSO. Thurs: Yo Yo Ma (071-638 8891)

NEW YORK

JAZZ/CABARET
Blue Note Jazz Club and Restaurant This week's guest is singer Angela Bofill, with showtimes at 21.00 and 23.30. Next week: Shirley Horn (131 West 3rd St, 475 8592)
Sounds of Brazil Live music from Africa, Brazil and the Caribbean. Music from 21.00, closed Sun (204 Varick St at West Houston St, 243 4940)
DANCE
Brooklyn Academy of Music 20.00 Dance Theatre of Harlem triple bill, including Firebird and NY premiere of Medea. Season runs till Sun (30 Lafayette Ave, 718-636 4100)
Metropolitan Opera 20.00 American Ballet Theatre in Prokofiev's Romeo and Juliet, also tomorrow. Thurs, Fri, Sat: triple bill (362 6000)
State Theater 20.00 NY City Ballet in Peter Martins' production of Sleeping Beauty, daily till Sun (870 5570)
CONCERTS
Carnegie Hall 20.00 James Levine conducts the Metropolitan Opera Orchestra in Mussorgsky's Pictures from an Exhibition and Mahler's Des Knaben Wunderhorn, with Thomas Hampson. Sat: Levine conducts Das Lied von der Erde, with Christa Ludwig and Michael Sylvester (247 7800)
Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic in Barber's Cello Concerto (Lorne Munroe) and Tchaikovsky's Fifth Symphony. Thurs, Fri and next Tues: Masur conducts Mozart (875 5030)

PARIS

Opéra Bastille 19.30 Les Contes d'Hoffmann, with Neil Shicoff, Jose van Dam and Leila Cuberli. Also Fri and next Mon (4001 1616)
Salle Pleyel 20.30 Recital by Gidon Kremer and Martha Argerich (4563 0796)

STRASBOURG

Palais de la Musique 20.30 Yan Pascal Tortelier conducts the Strasbourg Philharmonic Orchestra in Grieg's Piano Concerto (Tzimon Barto) and Shostakovich's Tenth Symphony, repeated tomorrow (8837 6777)

VIENNA

Staatsoper 19.30 La bohème, with Mirella Freni. Tomorrow: Der fliegende Holländer. Thurs: Romeo and Juliet. Fri: Salome with Hildegard Behrens. Sat: Le nozze di Figaro. Sun: Arabella with Kiri te Kanawa (51444 2960)
Konzerthaus 19.30 Roger Norrington conducts the London Classical Players in two Haydn symphonies, plus Beethoven's Fourth Piano Concerto (Melvyn Tan). Thurs: piano recital by Tan. Fri: Zoltan Kocsis plays Bartok with the Austrian Radio Symphony Orchestra. Sat: Kocsis piano recital. Sun: Sandor Vegh conducts the Vienna Chamber Orchestra (712 1211)
Vienna's English Theatre 20.00 Wisdom Bridge Theatre of Chicago presents Athol Fugard's play My Children! My Africa! daily except Sun (402 1260)

WASHINGTON

MUSIC AND DANCE
Kennedy Center
Stuttgart Ballet presents choreographies by Kylian and Neumeier tonight and tomorrow in the Opera House, followed by Cranko's Eugene Onegin on Thurs, Fri and Sat. Jerzy Semkow conducts tonight's all-Beethoven programme by the National Symphony Orchestra in the Concert Hall. Mstislav Rostropovich conducts NSO concerts on Thurs, Fri lunchtime, Sat and next Tues. Sun afternoon: Handel's Messiah. The Eisenhower Theater has performances of Cabaret, a Berlin musical revue, daily till Fri (467 4600).
THEATRE
- Mrs Klein: Nicholas Wright's play about the controversial psychoanalyst Melanie Klein. Until June 14 (Kreeger Theater, 554 9066).
- A Funny Thing Happened on the Way to the Shoreham: Joan Cushing's musical comedy revue (Marquee Lounge at the Omni Shoreham, 745 1023).

JAZZ/CABARET
Barns of Wolf Trap Tomorrow's programme, Western Swing and Rockabilly, highlights the popular styles evolved from Anglo folk music in contrast with African American jazz and blues in the southern US, with Texas Playboys, fiddler Johnny Gimble and members of Bob Wills' original band. Fri: New York Jewish Klezmer musicians and traditional New Orleans jazz (703-938 2404).

ZURICH

Opernhaus 19.30 Nello Santi conducts Gianfranco de Bosio's new production of Semiramide, with Edita Gruberova, also Fri. Tomorrow and Sun: Harnoncourt conducts Fidelio. Thurs: Don Giovanni. Sat: Guglielmo Tell (262 0909). Tomorrow and Fri in the Tonhalle: Michael Boder conducts Berlioz and Saint-Saëns (201 1580). Sat: Shura Cherkassky (261 1600). Tomorrow in Hallenstadion: José Carreras (223 4482).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Tuesday May 5 1992

Los Angeles: a political test,

WHAT HAPPENED in Los Angeles, now a metaphor as well as a city, shocked America's political leaders, and so it should have. Two political questions arise from it. Is the jolt sufficient to induce the sort of collective effort necessary to stop it recurring and will it have an impact on the outcome of the presidential election?

It is true that election years are normally more distinctive for their promises than for their action. Yet, apart from one egregious impugning of the likely Democratic candidate by the White House spokesman, the tenor of the immediate political response has not been wanting. Both President Bush and Governor Bill Clinton have addressed the unfolding tragedy mostly with care and thoughtfulness.

President Bush has in effect agreed that the acquittal of the four policemen charged with beating Rodney King was a miscarriage of justice. For a Republican president harried by his right wing on domestic issues, such an admission is itself extraordinary. His promise to pursue federal prosecution to redress the wrong is wholly appropriate. But, the president properly emphasised, public order must be maintained, by whatever necessary means.

Mr Clinton's answers were embodied in his campaign's finest address, in New Orleans on Saturday. He stated that both parties had failed the country by refusing to admit that race was at the root of the problem. Among the Democratic faults, he pointed to the unwillingness to change a rigid and self-perpetuating welfare system. Special programmes for the inner cities might help, as would better political leadership. But the key was for Americans to think about what kind of citizens they wanted to be and what kind of country they wanted to live in.

These respective responses were delivered without notable political side, welcome but probably not to be repeated when the campaign reheats. In effect, Mr Bush was saying that the system was neither perfect nor broken, so long as redress under existing law was applied. Mr Clinton, no revolutionary, was saying that the flaws in the system were such that it had become irrelevant to a substantial minority of the population, a fact which imperilled social order.

It is hard to judge the political fall-out. Mr Bush must have been tempted to take a harder line and play on the fears of white Americans, as in the Willie Horton commercials of 1988, which helped to destroy Mr Michael Dukakis.

It may be too much to hope that Los Angeles can avoid becoming a political football. But it is devoutly to be desired, and the appointment of Mr Peter Ueberroth to head reconstruction efforts points the way towards the sort of political and business partnership that is required. The quality of political response to the riots has hardened the impression that Americans are this year being offered, with or without Mr Ross Perot, a serious choice, not one between empty vessels. Only serious politicians and serious policies can extract good from bad and ensure that the complex but not intractable racial and economic problems of cities like Los Angeles are addressed.

and a warning

THE RIOTING which has afflicted Los Angeles and some other American cities is rooted in the circumstances of the US, whose ethnic mix, history of racial strife and political institutions leave the urban poor effectively outside the system. An epidemic of violent – often drug-related – crime has created a law and order backlash which allows middle America to sanction capital punishment as well as police behaviour which is as unacceptable as it has now proved to be unproductive.

Yet urban deprivation and the existence of an alienated underclass are familiar enough to Europeans. Throughout most advanced industrial economies, unemployment rates of 10 per cent or more are persistent, with the underlying rate ratcheting to a new floor after each recession. The position is much worse in rustbelts and declining inner-cities, especially those with substantial ethnic minority communities. Serious riots have afflicted Britain and France in recent years.

That Europe's social disturbances have been less intense than those in the US reflects in part that in Europe income distribution is less unequal. Although there has been a widening of the gap between rich and poor in most advanced economies, real wages have actually been falling among the lowest income groups in the US – not so in most of Europe. European governments are also more redistributive in their spending, so that the middle classes finance willy-nilly the education of underclass neighbourhoods. And most European countries are prepared to pay more in social security benefits to the losers in capitalism's race than the US (though all countries now seek to target benefits better to avoid reinforcing a cycle of dependency).

Underneath these different circumstances, however, lies a common factor: the decline in advanced industrial economies of the unskilled labourer. Increasingly manufacturing and service industries require employees who are motivated, educated and skilled. Employers can afford to pick and choose, and they will not choose those who lack educational qualifications or workplace skills.

Attracting more of the new highly-skilled jobs to the areas of deprivation is thus only part of the answer. Many of the youths who set ablaze deprived estates on North Tyneside last September desired jobs in Nissan's nearby gleaming new car factory. Most would not have got beyond the initial screening stage for applicants: they not only lacked education; they had failed to acquire the basic skills of concentration and application which are essential to efficient production in modern industries.

It cannot be too often stated that the key to offering opportunity to this underclass lies in better education and training, which must be effective long before young people reach the age of rioting. It is hard to see what can be offered usefully to those who have already failed in the education system apart from a minimum income sufficient to participate in civilised society and labour market rules which do not destroy low-paying, low skill jobs. But for the next generation, there must be hope not only that there will be decent jobs to go to, but also that they will be able to compete for those jobs. Societies which persist in denying opportunity to a significant minority breed violence.

City regulation

SOME TIME over the next two months, responsibility for overseeing the UK's investment markets and financial services companies will pass from the department of trade and industry to the Treasury. The switch has been presented as a rationalisation of financial regulation: it looks suspiciously half-baked.

The DTI's record on financial regulation has been poor. Before the Financial Services Act came into force, it failed to prevent investment disasters like Barlow Clowes and Norton Warburg. Since the act, it has presided over a fragmented system of investment regulation based on an uncomfortable blend of statutory prescription and self-regulation.

Unfortunately, the Treasury has also failed to cover itself with glory in this department. Successive chancellors were kept informed about the Bank of England's concerns over Bank of Credit and Commerce International without prompting tougher action – though the ultimate responsibility for banking regulation rests with the Bank. There is no reason in principle why the Treasury should make a better job of supervising the financial services sector than the DTI. Secretive and haughty by nature, it lacks the DTI's experience of consumer-related matters and would be a less effective guardian of the interests of small investors.

On the plus side, the switch will allow a single government department to negotiate in Brussels over the regulation of Europe's financial markets at a crucial moment in their history, as Europe moves towards monetary union and London faces mounting challenges from other financial centres.

But too many questions remain unaddressed. How can financial conglomerates be properly regulated, if the responsibility for insurance companies remains with the DTI? How can the fight against fraud be made more effective, if the present disjointed system for investigating financial malpractice is left untouched? Should the Securities and Investments Board, the top investment watchdog, be strengthened, or should the UK opt instead for European-style dominance by banking regulators? And is it right for one government department to be responsible both for protecting investors and promoting the interests of the investment industry?

Clear policy thinking on these matters is needed, not a piecemeal shuffling of responsibilities between ministers.

A revolution, step by step

Mr Major's legislative programme, to be revealed tomorrow, promises fundamental, if gradual, change says **Philip Stephens**

Mr John Major is in exuberant mood. It is not just that his general election victory has handed him control of his political destiny. As he contemplates the next five years in Downing Street, the prime minister believes that few have appreciated the scale of the opportunities presented by his victory on April 9.

He will begin to spell out his programme in tomorrow's Queen's Speech, translating into legislative form the first batch of his manifesto promises.

There will be few fireworks and few surprises. Mr Major remains a politician who believes in incremental rather than explosive change. He is fond of telling colleagues that before climbing a ladder it is sensible to make sure that it has sturdy rungs. The impatient and the incautious are reminded that the poll tax is an example of what happens when the rule is ignored.

But change there will be; and the eventual impact of the prime minister's prospectus will be far more profound than implied by the quiet manner of its implementation.

It is not hard to explain Mr Major's good humour. His first term as an elected prime minister has begun at just the right point in the economic cycle while the opposition is in disarray.

Mr John Smith's expected victory in the Labour leadership battle will not easily repair the severe damage done to the opposition by the less than edifying manner in which the contest has been conducted.

The current deliberations of the Boundary Commission will be speeded up. The resulting demarcation of constituencies could deliver to the Conservatives another 20 seats at the next election.

As Britain prepares to assume in July the presidency of the European Community, a glance in the direction of Bonn, Washington or Tokyo does nothing to dispel the impression that Mr Major is more secure in office than any of his counterparts on the international stage.

Germany's troubles and the internal preoccupations of the socialist government in France have combined with the turbulent legacy of the former communist regimes in eastern Europe and the Soviet Union to give unexpected credibility to Britain's vision of a wider, decentralised European Community.

Mr Major will spend much of the next two months putting into law the treaties on monetary and political union agreed at Maastricht But his European partners are less sure of the federalist vision that inspired the treaties.

At home, those elusive green shoots of recovery appear at last to be pushing through the permafrost of recession.

It will not be a spectacular recovery; and it might yet be further delayed. The debt burden loaded on to individuals and companies by the 1980s boom has been eased not eradicated. Beyond the ½-point cut now in prospect, the intensification of Germany's economic problems has stifled hope of a significant reduction in the historically high level of British interest rates.

Unemployment, and with it the government's budget deficit, will continue to rise. Warnings from the Treasury that this year's public spending round will be the toughest in recent memory represent more than the ritual sabre-rattling.

Mr Major's optimism does not hinge on the short-term outlook. He does not anticipate an immediate surge in output. By temperament, the prime minister prefers the steady to the spectacular.

It is too early to judge whether he is right, but the prime minister is convinced that the disinflation wrought by the recession and by sterling's place in the exchange rate mechanism does offer the prize of non-inflationary growth.

His commitment to curbing inflation is too frequently under-estimated. Mr Major is dismissive of suggestions that he should consider devaluing sterling against the D-Mark to loosen the constraints applied by high German interest rates. Mrs Thatcher may cavil at her successor's willingness to tolerate high public spending and borrowing but he is determined that he will deliver the permanently low inflation that eluded her.

With the economy at the bottom of the economic cycle, the resumption of economic growth of 2.5 to 3 per cent would not undermine that ambition. It is a background that Mr Major is convinced will allow him to deliver on his manifesto promises.

There is no grand philosophical design. But the gradualism does not exclude more sweeping ultimate ambitions. If the constituent elements of Mr Major's programme are unexciting, the sum of those parts may prove surprisingly radical.

The glue which binds them together is an instinct which tells him that many more decisions taken by the state – be it represented by Whitehall or by local authorities – should be devolved to individuals and families.

Ownership, choice and opportunity are the words he uses most frequently to outline his objectives. Low taxation, privatisation, the citizen's charter, incentives for home and share and ownership, hospital trusts and grant-maintained schools all reflect a presumption in favour of individual empowerment.

He is committed to a welfare state but not to the monolithic structure established in 1945. He sees government as the purchaser rather than the provider of the public services for which at present it has responsibility to deliver as well as finance.

On one level Mr Major plans further absolute shrinkage in the size of government. The Queen's Speech will signal his determination to privatise British Coal, British Rail and the remaining publicly-owned bus companies.

Alongside such direct sales, he foresees wholesale contracting out to private enterprise. Further large chunks of Whitehall will be hived off into free-standing agencies. Competitive tendering will be extended to the core of local authorities' white-collar functions.

Where the state retains a near-monopoly – health and education are the best examples – the aim is to establish a much more direct relationship between suppliers and consumers, a relationship regulated by the citizen's charter.

With the uncertainties of the election removed, Mr Major expects hospital trusts, family doctor budgets and grant-maintained schools to become the norm rather than the exception.

The approach is not uniform. Colleagues point to his post-election housing policy as a microcosm of a political strategy tailored to realities as well as long-term goals.

The basic aim is to widen ownership. Local authority tenants who cannot afford to buy their homes outright will be offered gradualist routes through rent-into-mortgage and part-ownership schemes.

But those who choose or are forced to remain in the rented sector will be nudged anyway into accepting more active responsibility for their properties. Privatisation of estate management, property transfers to housing associations and an extension of housing action trusts will deprive local authorities of their role in housing provision.

In the public sector such change does not come cheap. Mr Major has no philosophical objection to spending taxpayers' money if he is sufficiently persuaded of the results.

The size of the public sector deficit will ensure that the public spending round is unusually tough. But the commitment to an eventual return to budget balance is elastic. Whitehall is working on a re-definition of policy which would admit the reality that a return to debt repayment is a distant dream.

Mr Major's tax-cutting ambitions are modest, directed at helping the "industrious and the thrifty" on avarage or below-average earnings. They involve a gradual widening of the 20p lower rate band of tax, some new incentives to encourage personal savings and an increase in the threshold for inheritance tax. He is unmoved by calls for reductions in the top rate of income tax.

It does not add up to a seamless whole. Much of Mr Major's approach to policy is driven by a careful balance between his deep-rooted personal instincts and his careful political pragmatism. There are obvious tensions.

The prime minister insists that Britain is "over-governed" yet he wants his government to act as a powerful agent for social as well as economic change.

His choice of Mr Michael Heseltine to run the department of trade and industry is a signal that the government will be more active if not interventionist in its relationship with industry. Mr Peter Walker's stewardship of a new urban regeneration agency points in a similar direction. Pragmatism has left Mr Major committed to a universal system of state pensions and child benefit which runs against the grain of his emphasis on individual responsibility.

Gradualism and pragmatism carry their own risks. At times they can too easily be mistaken for drift. At others they can obscure the fundamental implications of piecemeal policymaking.

Senior ministers admit that little attention has been paid to the far-reaching consequences for local democracy of the planned changes in the structure of local taxation and in education and housing policies.

Mr Major's interest has focused on a plan to simplify local government by removing one of the present tiers. But the erosion of its role could actually concentrate more power in Whitehall rather than disperse it to individuals.

Nor can the prime minister expect the modest improvement in the Conservatives' electoral performance in Scotland to reverse a decade-long process of alienation from political rule from London. This is acknowledged in his plans to revive the select committee on Scottish affairs at Westminster and to nurture the role of the grand convention in Edinburgh. But the approach leaves a suspicion that the government has not looked beyond the next one or two steps.

There are some in Mr Major's own administration who admit that the question of how Britain should be governed in the next century cannot be answered simply with reforms in the welfare state designed to enhance the role of the individual.

But for the moment the prime minister can be forgiven for brushing aside such dilemmas. He has proved himself a consummate politician. He has a a mandate for a programme more radical in its intent than has been generally realised. He has the right economic and political environment in which to deliver it. Who wouldn't be smiling?

All at sea in Europe

David Buchan on why the EC ship of state is drifting

A row is brewing inside the European Community over new institutional reform, which Brussels intends as a solution to future problems but which could end up merely complicating present ones.

After the stormy waters of negotiations on its Maastricht treaty on political and monetary union, the Community ship of (super)state now lies becalmed. But on board all is far from calm. Some of the passengers (member states) and much of the crew (the European Commission) are growing restive.

A queasy period in the doldrums was inevitable this year, as the Maastricht treaty waits for the ratification that it must get from each and every EC parliament. But the Community is also stalled on its "normal business".

It has made little or no progress so far in reaching a Gatt trade deal with the US, in carrying out its internal farm reform, or in agreeing future EC funding up to 1997. The EC executive itself is starting to rattle apart as its four-year term draws to an end this December, with commissioners openly sniping at each other over industrial policy. And on Yugoslavia, where the world is looking to the Community for a political lead, the Twelve seem no more in tune than they were before Maastricht.

In these circumstances, it is only natural that the Commission should be dreaming of becoming a more powerful executive which could shake member states out of their inaction. Strictly speaking, the new institutional changes being bandied about in Brussels have nothing to do with the current malaise. They are part of the report on enlargement which the Commission has been asked to submit to the Lisbon summit in June.

Mr Jacques Delors, the Commission president, said at the weekend that "profound changes would be needed to improve the efficiency and democratic accountability of a Community of 25-30 members", and that it would be "dishonest not to face up to this". He wants to change the Commission into a more political executive whose head might be elected by the European Parliament, perhaps from candidates nominated from the European Council (as EC summits are known). It would also be directly accountable to EC leaders. Such an executive, mooted in the early 1950s, would effectively eclipse, but not formally replace, the current EC Council presidency that rotates every six months between governments. The latter might wear the ceremonial ermine, but no longer steer the substance, of the Community.

Mr Jacques Delors wants to change the Commission into a more political executive

Mr Delors prides himself on thinking big and far. These are long-term ideas to cope with at least two waves of enlargement – from the European Free Trade Association (Efta) and, later, from central Europe. But they are fuelled also by shorter-term frustrations, chiefly over the chairing – and obstruction – of Community foreign policy by small countries.

The Portuguese presidency is seen as out of its depth. Conscious of its weakness, it farms out reports to others – to Spain a study on the Maghreb, to Britain a study on relations with Turkey, to the Dutch a study on new membership of the Council of Europe. Each such individual act of delegation may make sense, but taken together they reinforce the impression of a rudderless Community. In the Yugoslavia crisis, Brussels also blames Portugal for not taking a tougher line with Greece which refuses to follow its EC partners and recognise Macedonia.

The present system of "chain-gang diplomacy" means that when one country tugs – Germany over recognising Croatia and Slovenia, Greece in its stance towards Macedonia – the other 11 have to follow for the sake of consensus. The difference is that Greece is over-playing an extraordinarily weak hand. Athens is not only in clear breach of the terms of last year's loan from the EC, but also blocking any rapprochement with Turkey and a big financial package for eight Mediterranean countries. It is hardly Portugal's fault that under the present system there is little to stop Greece being an Achilles heel. But, at last weekend's meeting in Guimaraes of foreign ministers, Portugal was criticised for producing a report on developing the Maastricht provisions for "a common foreign and security policy" that was just a platitudinous re-hash of treaty language.

Next to take over the presidency, on July 1, is Britain. It can be counted on a) to oppose any idea that a still-stronger EC executive is needed to manage a more numerous Community, and b) to run a thoroughly businesslike presidency to show that the current system can produce results. "There is no such thing as a perfect institution, but you can have a workmanlike one", said a British official at Guimaraes.

But this will not stop the coming clash. The certainty of enlargement was reinforced on Saturday when – ironically, in the "Arab Room" of the Oporto stock exchange – the EC-Efta treaty to create the European Economic Area was signed. Afterwards, Mr Jon Baldvin Hannibalsson, Iceland's foreign minister and current president of Efta, jested that "the EC will break up in the next century" if it was not careful with enlargement. Mr Delors wants to ensure that remains a joke.

Mr Peter Ueberroth, who will direct the rebuilding of Los Angeles after last week's riots, faces a daunting task, says **Lionel Barber**

Signs of hope amid the ashes of destruction

Inside Messiah Baptist Church, a few blocks from the burned out liquor stores on Crenshaw in South-Central Los Angeles, the Reverend Kenneth Flowers called upon his special guests to rise.

More than 50 white men, women and children from Temple Israel in Hollywood, as well as "Brother Barber from London", stood up to applause. The Gospel choir struck up again, and the Reverend Flowers appealed to the Lord ("You're still on the Throne, you're still in charge") to bless his ravaged city.

Few Jews have ventured into the inner city since the race riots in Watts in 1965 sent them fleeing to north Hollywood and the San Fernando Valley. But last week's looting spread to these supposedly safe white enclaves, claiming the life of one of the synagogue's own members and encouraging both black and white to join together in mutual solidarity and grief.

The healing and reconciliation took place in dozens of churches last Sunday as Los Angeles braced itself for the awesome task of rebuilding the city shaken by three days of rioting which cost up to 49 lives, $500m in property damage, and as many as 10,000 businesses destroyed.

The random violence is a sledgehammer blow to a city which has regarded itself with pride as the multi-racial metropolis of the future.

Amid the uneasy weekend calm, there were hopeful signs. Young people of all races marched with brooms, shovels, and paint brushes to clean up the rubble and the pervasive gang graffiti in the barrios.

The relief effort was equally impressive. At Pastor Cecil Murray's First AME Church, home of the oldest black congregation in Los Angeles, volunteers worked round the clock to distribute food and clothing to riot victims.

After two decades of neglect, the local community remains suspicious. The big question is whether the city's leaders will tackle the deep rooted and economic problems which provided the tinder – if not the spark of the Rodney King trial verdict – that ignited last week's explosion.

Much will depend on Mr Peter Ueberroth, the man appointed by Mayor Tom Bradley to head the recovery. Mr Ueberroth managed the highly successful 1984 Los Angeles Olympic Games; and has a reputation as a trouble shooter who is fast on the draw.

Mr Ueberroth intends to form a non-profit organisation this week which will move quickly, with the creation of jobs being a top priority. He has already made clear he expects help from companies in the US and abroad, suggesting at a news conference on Saturday that Japanese investors will be pursued aggressively.

In Mr Ueberroth's own words, the emphasis will be on a public-private sector partnership which could be a blueprint for revitalising inner cities across the US. At times the blond haired Mr Ueberroth looks and sounds like Mr Heseltine touring Toxteth in 1981 after the Liverpool riots. So what are his chances of success? At this stage, it is a good deal easier to identify the obstacles, many of which are typical of virtually all of America's major cities. These have declined inexorably in the face of the suburban exodus, a shrinking tax base, and a sharp drop in federal support in the 1980s.

The withdrawal of federal funds amounts to a conscious decision on the part of the Reagan/Bush administration determined to wean the cities off the support which grew out of President Lyndon Johnson's Great Society – the battery of welfare and other social programmes designed to lift minorities, predominantly blacks, out of poverty.

These programmes fostered the growth of a black middle class which gratefully accepted the public service jobs on offer and, in many cases, joined the white flight to the suburbs; but increasingly black and white experts have argued that these programmes not only failed to alleviate poverty, they reinforced the culture of dependency among blacks and may even have encouraged a violent "counter culture" dominated by drugs, gangs, unsafe sex and the Aids virus.

The statistics suggest that only a comprehensive approach has any chance of success

Mr Joel Kotkin, an expert on urban politics in California and Fellow at the Petterdine School of Business and Management, estimates that black participation in the labour force in Los Angeles is the lowest of any ethnic group, roughly one third less than that of Latinos and Asians. African-Americans have the lowest rate of two-parent families, with young females three times more dependent on welfare and nearly twice as likely to give birth to drug-addicted babies than their Latino or Asian counterparts.

These statistics suggest that only a comprehensive approach involving education, health care and economic incentives has any chance of success.

So far, however, reaction among most black leaders, including the Rev Jesse Jackson, has focused on appeals to the federal government to provide jobs and affordable housing for blacks.

Miss Linda Wong, executive director of the Achievement Council in Los Angeles has long worked to improve relations between black and other ethnic minorities. She says the old civil rights approach of the 1960s is fatally flawed.

Despite the apparent similarity between black outrage in Watts in 1965 and South-Central Los Angeles in 1992, there are significant differences which require radical new thinking on the part of local and national leaders, Miss Wong argues.

According to this analysis, the inner city problem can no longer be reduced to a black issue alone; it encompasses Koreans, central Americans, Mexicans, and other latinos, most of whom were not present in South Central LA in the 1960s.

Second, the federal government is simply not equipped financially to deal with the inner cities on the grand scale pursued by President Johnson until the Vietnam war. Nor is the state government which this year faces a $10bn budget deficit and is already cutting higher education and other social services to the bone. "The private sector must be involved," says Miss Wong.

Yet all the evidence of the past 20 years is that the private sector has abandoned the inner city in favour of downtown Los Angeles. Local agencies have offered hundreds of millions of dollars in tax breaks to corporations to invest in Mayor Bradley's dream of creating a gleaming gateway to the Pacific rim for American and Asian businesses alike.

Mr Ueberroth's challenge will be to shift these priorities, to discover new leaders in the Asian and Latino community and to negotiate the rivalries between the city council, the county board of supervisors and the mayor himself who at 74 tenaciously clings to power.

But succeed he must. For Los Angeles, with its ethnic diversity coupled with the relative decline in numbers in its white population, offers a foretaste of the future for the rest of the US. Failure would raise the spectre of a society hopelessly divided on class, race and ethnic lines, a glimpse of which millions of Americans caught on their television screens in the last few days.

Civilians try to save a Hollywood business in LA's riots

OBSERVER

Treasury's new sinner

"It's a funny old world." The famous words of the deposed Margaret Thatcher must be running through the head of top civil servant Robin Mountfield as he starts his new job this morning after 19 years at the Department of Trade and Industry.

An irrepressible interventionist, he began his time at the DTI with such pleasures as taking the aerospace sector into state ownership. Then came the Thatcher era's privatisation of BL etc, which reduced him to grinning and bearing it.

So imagine his delight on hearing that Mr Intervention himself, Michael Heseltine, was to take over as trade and industry secretary. Alas the news was almost immediately followed by the 52-year-old Mountfield's sideways transfer to the Treasury where state involvement with industry is viewed as a sin.

There may nevertheless be compensations. After all, the Treasury job he is going to – deputy secretary in charge of industry – might well be done all the better for being filled with someone who can tell a milling machine from a coffee grinder.

True, the last two incumbents, Etonian Nick Monck and the deceptively languid Richard Wilson, were first-rate civil servants. But they failed to impress industrialists.

Maude's move

Meanwhile, the fates have also looked unkindly on politician Francis Maude. Only a month ago he was financial secretary at the Treasury and tipped as a coming man. Now, the 38-year-old has not only lost his parliamentary seat but is under attack for becoming a part-time adviser to the chairman of the Hongkong Bank in its battle for the Midland.

Maude points out that he is not taking up the job as someone who has retired from public office on a pension. He is willy-nilly out of work, even though he prefers to call it "involuntarily privatised". So he has no qualms about taking sides in what's likely to be one of the most politically sensitive bid battles for a long time.

He certainly knows his way around the DTI and the Foreign and Commonwealth Office, but insists he had no responsibility for banking matters while at the Treasury.

Suggestions that his new post raises concerns about conflicts of interest are "deeply silly", says Maude who thinks that the Hongkong Bank is a "nice outfit". He has been hired for his expertise in areas such as competition policy rather than for his influence with the government in power.

Anyway, he needs to make some money while he plots his political comeback, and takes comfort from the fact that his old dad's political ambitions did not suffer when he took a mid-career break from the Commons in 1959.

But that misses the point. His father Angus Maude stepped down voluntarily and disappeared to the other side of the world to edit the Sydney Morning Herald for a while.

There must be a suspicion that young Francis has taken the first well-paid job which comes along without thinking. After all he could have gone back to being a barrister.

Down and out

However the mighty may have fallen, few can have taken such a dive as deposed Australian premier Bob Hawke. In his heyday, a pub was named after him in his constituency, the working-class Wills district of Melbourne.

Now the R J Hawke Hotel has not only had its name changed to the Paris Tavern, but has been turned into a pastel-shaded, neon-lit gay bar.

Tiny error

How many people spotted the mistake in Tiny Rowland's defence of Lonrho's controversial dealings with Libya in his company's Observer newspaper on Sunday?

Tiny's description of his brave attempt to prevent Colonel Gadaffi from nationalising the Libyan assets of British Petroleum at the start of the 1970s is an interesting political footnote. But it does not quite square with other interpretations of what happened.

Anthony Sampson, in his book the Seven Sisters, says the Libyans nationalised BP's assets after Iran was allowed to occupy three islands in the Persian Gulf which were under British protection. There is no suggestion that it had anything to do with Gadaffi's unhappiness about being swindled by Britain's ministry of defence over an expensive military radar order – which is what Rowland implies.

The Lonrho chief says that he insisted that Anthony Parsons, who was in charge of the Middle East desk at the Foreign and Commonwealth Office, should pass on his warning about the imminent nationalisation of BP's assets to a cabinet headed by then prime minister Sir Alec Douglas-Home. He, however, had stepped down as premier in 1964, and was merely foreign secretary at the time.

Rough justice

Visiting a remote branch in Africa, the golf-mad company chief challenged the lower-handicapped branch manager to a round on a course carved out of the jungle. The local man turned up with a rifle as well as clubs in his bag, and explained that the rough could hold dangers.

On the second tee, the chief's drive hooked into the trees, and just as he found the ball a python coiled down from the branches. His opponent, close behind, blew off its head with the rifle.

All went well until the sixth tee, where the chief sliced into the undergrowth from which a lion emerged, licking its lips. The local man plugged it straight between the eyes.

On the ninth, another slice sent the chief's ball into the jungle to land on the bank of a river. As he reached it, an alligator seized his foot and began pulling him into the water. The local man was again on hand, but this time just stood calmly consulting his rule book.

"Can't you help me?" the chief cried desperately. "Sorry sir," his opponent replied. "You're not entitled to a shot on this hole."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Self-interest and ethics in long term

From Mr Peter Cave.

Sir, Britain's new director of public prosecutions, Mrs Barbara Mills, tells us that low ethical standards in business will not generate long-term business advantage ("DPP chief suggests safeguards for companies", April 29). Mrs Mills is seeking to promote ethical behaviour through the fear of commercial retribution – much as Mr John Patten, the education secretary, recently offered the super-commercial consideration of divine retribution for bad social behaviour.

This line of thinking tends to confuse the ethical with the self-interested.

If a manufacturer refrains from selling elite torture equipment because he thinks his main conventional business would suffer, he is acting from self-interest. If the manufacturer avoids the torture business because he thinks it is wrong to harm people, then he is acting according to ethical principle.

Grounding ethics in nothing but (long-term) self-interest would mean that, if profitability conditions changed, our manufacturer would be right to switch to torture equipment.

Peter Cave,
15 Compton Road,
Winchmore Hill,
London N21

Pay and conditions of work should not be dictated by EC

From Mr Peter Reid.

Sir, Your reporting of the working time debate at the Social Affairs Council ("Social Europe", April 30) focused on the 48-hour maximum working week and the designation in principle of Sunday as the day of rest. It should be remembered that these aspects of the draft directive were proposed, by France and Germany respectively, some considerable time after the proposals were originally published by the Commission. Employers throughout the EC have unanimously condemned them since their original publication.

In the increasing debate that will take place between now and the next Social Affairs Council meeting on June 24 we should not lose sight of the principle that pay and conditions of work, including the organisation of working time, should be matters to be determined between an employee and an employer and should not be dictated at EC level. The only tolerable intervention that is acceptable is on objective health and safety grounds, as Mrs Gillian Shephard, the employment secretary, proposed. If it is endangering the health and safety of engineering technicians to work more than 8 hours per night or more than 48 hours per week, so is it unacceptable for hospital workers or President Delors. The latter two, of course, will not be covered by this directive. So much for objectivity.

Peter Reid,
head of employment policy,
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Videophone not yet an answer for deaf people

From Mr Karl Holweger.

Sir, Your otherwise excellent report on videophones, "Phones with a view to profit from vision" (April 28), was a rather more optimistic view of the position of deaf people and the telephone network than is the case.

While many deaf people could benefit from videophones, to see a caller speaking or using sign language, the standard of picture available from systems now being introduced for use over the ordinary telephone network by residential customers is unlikely to fulfil the communication requirements of deaf people.

The Royal National Institute for Deaf People (RNID), in conjunction with University College London, has received partial funding from the European Commission under its RACE (R&D in Advanced Communications Technologies in Europe) programme to undertake research into the application of video telephony for deaf people. We shall be starting trials later this year with a view to establishing some video telephony services for deaf people in 1994 within the constraints of available technology.

Yet video telephony is not a panacea for all deaf people as many do not use sign language or lip read. There are also, for instance, those both deaf and blind. Access for them must come from a different route.

On June 1 1992, TYPETALK, Europe's first national telephone relay service will officially open in Britain, run by the RNID with £4m funding from BT. The basis of the service is for a central operator to transcribe text from a deaf person's text telephone into speech and speech into text. The system is also capable of having the text translated into braille where appropriate.

I am sure that research, including that of the RNID, will eventually lead to video telephones assisting deaf people. Meanwhile, TYPETALK opens up the network now.

Karl Holweger,
director of public affairs,
RNID,
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London WC1E 6AH

Alternative to Tecs

From Mr Peter McGregor.

Sir, Peter Ashby's letter (April 29) draws attention to the unsatisfactory arrangements for training and enterprise councils. These were yet another set of the quangos in which British governments delight, since they provide high cosmetic value at low cost. The fact that they are usually ineffective doesn't matter, since this is easy to hide.

Tecs should not be given public law status, but rather be merged with chambers of industry and commerce, which should. The government should then have a serious discussion with the chambers about standards. Finally, the British Overseas Trade Board could then be closed down and all its resources given to the chambers.

We could have got all this right first time if Conservative ministers really had any idea about helping a market economy to work, but better late than never.

Peter McGregor,
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Oxfordshire,
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Strategy for asylum seekers

From Sir Philip Goodhart.

Sir, I share your hope ("A Strategy on Asylum" (April 27) that there will be some changes in the new Asylum Bill to be introduced in the forthcoming session.

As you note, there seems to have been some decline in the number of asylum seekers in the UK, but almost all of them congregate in London. There are now some 30,000 asylum seekers living in London, many of whom go into bed and breakfast accommodation at a cost of £15,000 a year, which means that the total cost to London charge payers is about £36m per year – or 30 per cent of the total cost of expenditure on London's homeless families.

This is a national problem and there should be national support for the London boroughs that have to deal with it. During the debates on the last Asylum Bill, the government blocked the arguments of London members. I hope that ministers will change their minds this time.

We should also amend the arrangements for unaccompanied children who arrive in this country seeking refugee status. Some London boroughs have acquired considerable expertise in looking after these unfortunate children. Other boroughs are less skilled. We do not want to encourage parents in troubled parts of the world to try to smuggle their children into this country but our arrangements lag behind those in place in both France and Germany. Once again, ministers should think again.

You suggest that the long-term method of dealing with potential Third World migrants into this country is "a more generous economic policy" towards trade with the Third World. This may well be true, but it will be a very long time before the beneficial results are evident. In the immediate future, we ought to increase two or three-fold the amount of money which we allocate to the United Nations High Commissioner for Refugees and the other agencies that deal with refugees on the spot. Over the past decade, the UK has a good record in helping UNHCR; we must redouble our efforts and encourage our partners in the EC to improve their record.

Philip Goodhart,
25 Abbotsbury Road,
Kensington, London W14 8EJ

Too gloomy a picture of air travel

From Mr John Cox.

Sir, Professor Doganis paints a gloomy picture of the likely results of air transport liberalisation within the Community (Personal view: "No freedom in the skies", April 29) but it is in our view far from complete.

He sets out first the supposed expectations of the protagonists of liberalisation and compares them with what he perceives to be the reality post-1992. This is a false comparison.

For all but the last few years, governments have controlled the European air transport market through a series of inflexible bilateral arrangements, limiting the routes to be flown, nominating the carriers to operate them, fixing the capacity to be offered and the fares to be charged. The last interest to be considered was that of the customer.

Henceforth, all this will be taken out of governments' hands. It may be that not all airlines will want to take advantage of their new found freedom to compete – and, incidentally, we share Professor Doganis's fears that there may be fewer of them to do so – but they will at least be free to do so if they wish. And as experience quickly showed on the London-Amsterdam route, following the pioneering negotiation of a liberal air services agreement between Britain and the Netherlands, the presence of only one extra carrier on a route does produce very real benefits for the consumer as well as stimulating a growth in traffic.

Moreover, Prof Doganis ignores the stimulus which liberalisation has already provided for new services to the Continent from regional airports. For instance, in 1985 Belfast had only one such route, to Amsterdam, whereas this summer there are now in addition direct daily flights to Paris, Stuttgart and Milan. This would have been unthinkable only five years ago.

Faced with a choice between the old regime and the new, the user can only vote one way. This is why we have consistently supported the UK government, and will continue to do so, in its now largely successful attempts to transform the regulatory framework for the Community air transport industry.

John Cox,
chairman,
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Calvet view dated and protectionist

From Mr Peter Luff.

Sir, Jacques Calvet's Personal View, "The New Utopias that threaten Europe" (April 29), looks very much like special pleading obfuscated by broad and unsubstantiated generalisations. Remove the attacks on federalism, competition-policy and the criteria agreed for economic convergence curiously defined as a monetarist utopia – and what is left seems to be a desire to see old-fashioned national subsidies replaced by European ones. At a time when agricultural subsidies are stalling the General Agreement on Tariffs and Trade talks and threatening world trade, this would be a confirmation of all the worst fears of those who always suspected the creation of a Fortress Europe.

Particularly odd is the attack on federalism. Apart from raising again the old canard about the failure of some self-styled quasi-federal governments such as in the old Soviet Union, Yugoslavia and elsewhere, while conveniently ignoring the fact that they were the result of totalitarian or external imposition and not democratic choice, Mr Calvet offers no coherent alternative.

It may also surprise British readers that Mr Calvet links federalism with liberalism as Mrs Thatcher has repeatedly attacked it for being associated with socialism. It is, of course, not necessarily associated with either. In the European context "federal" is essentially shorthand for "democratic".

There is simply no alternative to a federal Europe if the Community's institutions are to be open, accountable and subject to democratic control. Open debates in the European Parliament must replace decision-making behind closed doors between ministers and civil servants. Or does Mr Calvet prefer a more closed system with the ear of government accessible only to the special pleading of Europe's corporate giants?

Peter Luff,
director,
European Movement,
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From Mr Matthew Dobbs.

Sir, Mr Jacques Calvet omitted to mention the real danger in ceding too great a degree of political power to Brussels – and that is if the EC's economic and trade policies reflect the interventionist and protectionist philosophies which Mr Calvet appears to espouse.

Matthew Dobbs,
46 Charleville Road,
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Ethics and service

From Mr Eric Salama.

Sir, I am one of that minority of FT-reading customers of the Co-operative Bank who responded to the bank's questionnaire on ethical behaviour. While I applaud the desire to build a more positive corporate image, I have to say that such activity should serve as a top up to its commitment to its customers, not as a replacement for it.

Like many customers, I responded to heavy advertising and applied for a Co-op Visa Gold Card. I met all of the financial criteria and (having checked with the search company which the bank used) had nothing on file to classify me as a bad risk. The bank refused my application and wrote saying that it was under no obligation to tell me why the application was refused. In subsequent correspondence, the bank did not deny that the reason was that I was already a customer with a Visa card and that the offer was designed to attract new customers. It appears from correspondence elsewhere that thousands of customers found themselves in the same position.

Is this ethical behaviour of which the bank would be proud? I have subsequently changed banks as a result of this experience. When will service companies learn that their actions can lose them customers for life and that no amount of window dressing or ethical charters can make up for a genuine commitment to their customers?

Eric Salama,
23 Carysfort Road,
London N16 9AA

L'Ouest is Ouest

From Mr Olivier Da Lage.

Sir, James Morgan, who prides himself on being an expert on the European press ("Perspectives: British papers – the best and the worst/The press in Europe", April 25) seems at pains to explain why "the biggest French daily, L'Ouest Républicain, sells only about 1m", is unknown to foreigners, and that this astonishing newspaper "seems to be published in Rennes".

Here is the key to Mr Morgan's worries – L'Ouest Républicain was indeed founded in Rennes at the Libération in 1947. But it no longer appears.

Besides, Ouest-France surely is France's best selling daily. It is published in Rennes and sells about 1m copies. But it has 38 editions and not just a mere dozen. And the Bretons don't seem to mind its publication in Rennes, since it is a regional paper.

Now, my turn to be dismayed. When Mr Morgan surveys the the European press, how can he write at length about France-Soir, which hardly anyone reads any more (although 30 years ago it was France's largest selling paper) and is shortly about to cease publication once and for all, and conveniently forget to mention le Monde.

As a daily FT reader, I would agree that you find the best and the worst in British papers. The FT generally complies with the first part of the remark; Mr Morgan's article fits the latter one.

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FINANCIAL TIMES
Tuesday May 5 1992

UK likely to cut interest rates

By Peter Marsh, Economics Staff, in London

EVIDENCE of only a subdued recovery in UK consumer spending since the general election is behind the decision by Mr Norman Lamont, the chancellor, to seek a cut in base rates, which is expected to be announced later today.

Weekly sales returns collated privately by a group of about 30 large retailers – together accounting for sales of £75bn ($133bn) a year, or one eighth of gross domestic product – are believed to have shown only a minor uplift since the April 9 election.

Together with other indicators showing little movement in consumer sectors such as the housing market, the retailing data appear to have persuaded Mr Lamont and his advisers not to wait for more comprehensive evidence about the economy before sanctioning a cut of up to half a point in base rates, which have been held at 10.5 per cent since September.

A cut in base rates – the opportunity for which has been opened by the strength of the pound since the election – may be followed soon by reduced mortgage rates. That could trigger an uplift in consumer spending generally.

Figures from the retailing group for the two weeks around Easter would have been available to Mr Lamont last week when he began to think seriously about the possibility of cutting borrowing rates. This was signalled in operations by the Bank of England on money markets in the last three days of the week. Retailers in the project said the figures had shown little in the way of a recovery.

Outside retailing, the government has had better news about a likely recovery from the recession, which began around mid-1990. But indications from business surveys about improved confidence among companies generally have not been enough to persuade Mr Lamont that the opportunity to bring down rates should be spurned.

In thin trading yesterday – the London markets were closed – the pound was little changed against the D-Mark. It was quoted near the close at DM2.9308, within about 2 pfennigs of its central rate in the exchange rate mechanism of DM2.95.

Andrew Fisher adds from Frankfurt: Mr Hans Tietmeyer, deputy president of the Bundesbank, reaffirmed yesterday that the Bundesbank had no intention of cutting interest rates for the moment, since inflation was "unacceptably high" and money supply growing too fast. The bank's goal was an inflation rate of 2 per cent or less.

He described Germany's policy of monetary stability as "a sort of compass" to which a number of European countries aligned themselves.

Gilts calm, Page 26
Currencies and rates, Page 35

No sale: people in south central Los Angeles look over the charred remains of a riot-hit western clothing store

Private funding sought to rebuild LA

Continued from Page 1

people had been injured.

In Washington, the White House said snipers had fired at National Guardsmen and law enforcement officers and the Californian authorities had asked for federal troops to stay on duty in Los Angeles "for a while longer."

Patrols by heavily armed US marines and National Guard are expected to continue this week.

Tension between blacks and Korean Americans remains high after the riots which saw dozens of Korean stores torched and looted during the worst ever urban violence in the US. Blacks complain that the Koreans are abusive and eager to overcharge on essentials such as milk, and unwilling to hire African Americans.

More than 30,000 people, mostly Korean Americans, marched in the streets at the weekend in an appeal for peace.

Volunteers of all races joined in an effort to clean up the gutted stores in South-Central Los Angeles, the centre of the rioting. Hollywood stars helped with sweeping and food distribution.

"Magic" Johnson, the basketball star who recently announced his retirement because he has contracted the HIV virus, said he would buy property in the city's worst-hit areas.

EC borrowing rise seen as Emu threat

By David Marsh
European Editor, in London

HIGH GERMAN interest rates are jeopardising many EC countries' chances of meeting the stiff fiscal targets set for European monetary union (Emu) at the Maastricht summit.

The objectives were laid down as the crucial criteria to decide which countries could participate in Emu at the end of the decade.

However, sluggish European economic growth – a consequence of high interest rates across the continent – is leading to a sharp increase in EC public-sector borrowing this year. This compounds the economic obstacles in the path of Emu, which is already facing larger than expected political hurdles because of the growing reluctance of the German population to countenance abandoning the D-Mark.

Underlining a questioning mood about Germany's commitment to Emu, a senior European central banker said: "There's no doubt that they [the Germans] are having some second thoughts." Economic expansion in most western European countries is expected to remain in the 1-2 per cent range this year.

Dampened growth automatically widens public sector deficits by increasing social security spending and reducing tax revenues. This is raising doubts over whether a majority of European countries will be able to fulfil the fiscal targets by the time of the earliest date for Emu in 1997.

Because of bloated deficits caused by unification, some experts at the Organisation for Economic Co-operation and Development (OECD) in Paris calculate that Germany may not be able to meet the targets.

A considerable economic pall has been cast by the Bundesbank's policy of keeping interest rates high to dampen the inflationary effect of steep German public sector deficits. These deficits have been driven up by large-scale transfers of public funds from west to east Germany calculated by the Bundesbank at DM180bn ($109bn) this year.

Central bank race, Page 3

BMW to cut jobs at UK sales subsidiary

By Kevin Done in London

BMW, the German carmaker, is cutting the workforce of its UK sales and marketing subsidiary after a 39 per cent decline in BMW (GB)'s trading profit last year.

Mr Tom Purves, BMW (GB) managing director, said the company's trading profit had dropped to £25m ($44.2m) last year from £41.1m in 1990 and a peak of £59.7m in 1989.

Since the start of the recession the BMW (GB) workforce has been reduced by 18 per cent from 450 at the end of 1990 to 370 following a second round of 29 job cuts this week.

The overall UK new car market fell by 31 per cent from 1989 to 1991. The luxury car market, however, plunged by 65 per cent with a fall in sales volume from 18,700 in 1988 to 8,300 last year.

BMW's overall UK sales volume has fallen by only 21 per cent in the past two years from 49,000 in 1989 to 38,700 last year, allowing it to increase its market share. The lower volume and less favourable sales mix cut trading profits by 58 per cent over the same period.

The share of cheaper BMW 3 series models has risen, while the share of 6-cylinder 5 and 7 series models has dropped from 38 per cent in 1988 to 27 per cent last year.

Mr Purves forecast that the UK economic recovery would be slow. He said the luxury car market was unlikely to recover its earlier size but could improve to 15,000 by 1995. "We are having to come to terms with a changed market."

BMW has pressed ahead with its investment programme in the UK during the recession. Next week, it opens a £13m car distribution centre at Thorne, South Yorkshire.

BMW plans to import its cars via the Channel tunnel to the Thorne site, Mr Purves said. This would cut the number of vehicle movements between BMW's car plants in southern Germany and the UK distribution centre. At present the cars are imported through the port of Immingham.

Ford restructures R&D, Page 6

EC issues warning on Bosnian peace effort

Continued from Page 1

that all sides should exercise the same restraint and make the ceasefire work." He is expected to fly to Sarajevo today and then to the Croatian capital, Zagreb.

Mr Alija Izetbegovic, the Bosnian president, last night appealed for foreign military intervention.

Even as the fighting continued, EC and UN monitors were still trying to rekindle local talks on a truce.

On Sunday, the EC and UN had mediated a safe passage for the army convoy in exchange for the release of Mr Izetbegovic, detained on Saturday by federal army troops at the Sarajevo airport after his return from EC-sponsored peace talks in Lisbon.

As people in Sarajevo described shelling and explosions throughout the centre of town, one witness said: "There is a smell of ugliness about the fighting today". Belgrade television showed the wreckage of the weekend violence: charred corpses and burnt-out buildings.

World Weather

		°C	°F
Ajaccio	F	–	–
Algiers	R	15	59
Amsterdam	S	14	57
Athens	C	20	68
Bahrain	S	35	95
Bangkok	F	38	100
Barcelona	F	20	68
Beijing	R	18	64
Beirut	S	24	75
Belfast	R	13	55
Belgrade	S	14	57
Berlin	S	13	55
Biarritz	S	19	67
Bombay	S	31	88
Bordeaux	S	17	63
Boulogne	S	14	57
Brussels	S	14	57
Budapest	S	22	72
Buenos Aires	F	21	70
Cairo	S	28	82
Cape Town		–	–
Caracas	C	31	88
Casablanca †	S	18	64
Chicago †	S	3	37
Cologne	F	15	59
Copenhagen	F	12	54
Corfu	S	25	77
Dallas †	F	17	63
Dublin	C	14	57
Dubrovnik		–	–
Edinburgh	F	15	59
Faro	S	21	70
Florence	S	25	77
Frankfurt	S	15	59
Geneva	C	13	55
Gibraltar	S	19	66
Glasgow	C	13	55
Helsinki	F	13	55
Hong Kong		–	–
Innsbruck	S	13	55
Inverness	C	14	57
Islamabad	C	28	82
Istanbul	F	15	59
Jakarta	R	33	91
Johannesburg	S	19	66
Lisbon	S	19	66
London	S	16	61
Los Angeles †	S	16	61
Luxembourg	F	14	57
Madeira	F	17	63
Madrid	F	19	66
Majorca	F	20	68
Malaga	F	21	70
Malta	F	19	66
Manila	F	36	97
Melbourne	F	21	70
Mexico City		–	–
Miami †	S	19	66
Milan	S	23	73
Montreal †	S	4	39
Moscow	F	19	66
Munich	C	10	50
Nairobi		–	–
Naples	S	24	75
Nassau	F	28	82
New Delhi		–	–
New York †	S	11	52
Nice	S	22	72
Nicosia	S	22	72
Oporto	S	18	64
Oslo	R	10	50
Paris	S	15	59
Prague	F	13	55
Reykjavik	Sl	2	36
Rhodes	S	18	64
Rio de Janeiro	R	30	86
Rome	S	23	73
Salzburg	C	11	52
S'Francisco †	C	13	55
Seoul	S	26	79
Singapore		–	–
Stockholm	F	16	61
Strasbourg	S	16	61
Sydney	S	20	68
Taipei	F	32	90
Tangier	S	21	70
Tel Aviv	C	21	70
Tenerife	F	19	66
Tokyo	S	20	68
Toronto †	F	5	41
Tunis	F	19	66
Valencia	F	19	66
Venice	S	24	75
Vienna	S	14	57
Warsaw	F	14	57
Washington †	S	12	54
Zurich	Dr	9	48

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

THE LEX COLUMN

The shadow of the Mark

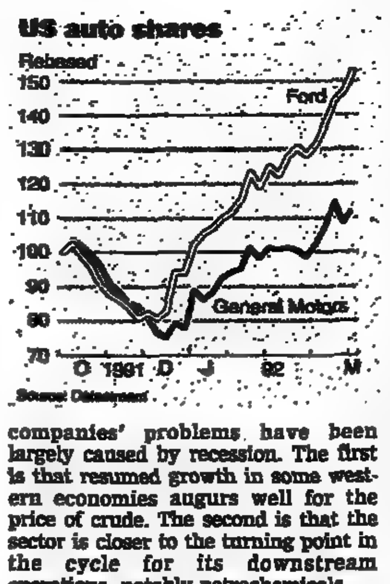
For those of an apocalyptic turn of mind, events in Germany have raised the spectre of disarray in the ERM or even its collapse. Twenty years ago, after all, it was the misbehaviour of the dollar which caused the demise of the Bretton Woods system. But there is an important difference. Then it was US inflation – generally ascribed to the deficit financing of the Vietnam war – which alienated the system's other members. Now, although unification has certainly landed Germany with an inflationary problem, the difficulty is rather the severity of the measures it is taking to deal with it. At the start of the 1970s, cutting loose from the dollar was a sign of monetary rectitude. Abandoning the D-Mark now would be the reverse.

The more subtle question is whether the D-Mark might relinquish its central role to another member currency. Germany's economic dominance in the system should not be exaggerated. United Germany accounts for perhaps 27 per cent of the combined GDP of the ERM members, compared with 20 per cent for France and 17 per cent for the UK. The question is which currency would be a plausible substitute. The French franc would be little help, since France seems independently bent on matching Germany's monetary stringency. And however attractive sterling now seems under a re-elected Tory government, its chief appeal lies in that government's commitment to hanging on to the Bundesbank's coat-tails.

This is not to deny that the ERM has a genuine problem. Germany does not even know how fast its money supply is really growing, let alone whether its target rate of growth is appropriate. The result is that the united Europe of 1992 has to grapple with an inflationary demon which for many of its members no longer exists, while the US and Japan are able to use monetary stimulus to improve their competitive positions in the world. But there seems little alternative to Germany's partners hanging on, while taking such comfort as they can from the fact that German dominance of the system allows them to copy its loose fiscal policy as well.

Oil shares

Last week's revival in oil shares – even unfashionable BP gained 10 per cent – raises the question of whether the sector has been too long out of favour. There are two main arguments, both based on the view that oil companies' problems have been largely caused by recession. The first is that resumed growth in some western economies augurs well for the price of crude. The second is that the sector is closer to the turning point in the cycle for its downstream operations, notably petrochemicals.



Both arguments have holes. While the fundamentals for oil prices have improved slightly in recent weeks, demand is scarcely roaring ahead. There is also huge uncertainty on the supply side, not least from Opec and the CIS. As for the downstream cycle, demand for petrochemicals is growing in the US but remains depressingly weak elsewhere. In any case, the cyclical rebound in profits may be held back by a degree of overcapacity.

In marking oil shares higher, the market may simply have calculated that they must be cheap because they had fallen so far. But in recent months the sector has fragmented, with Shell and Enterprise rated as quality companies and the likes of BP and Lasmo reflecting the fact that their dividends are vulnerable. The market has been rational about the companies. It is perhaps in danger of being less realistic about the sector.

General Motors

Judging by the appetite of US investors for equity issues, it would seem nothing could go wrong with the planned $2.3bn offering from General Motors. The company has carefully prepared the ground, first by announcing a far-ranging restructuring plan and then first-quarter net income of $179m instead of a widely expected loss. The restructuring seems in earnest, involving a move towards buying in components and rationalisation of the North American model range and plants. So GM's share price may be able to make up some ground on Ford.

Still there are grounds for scepticism. GM will probably face fierce opposition to restructuring from the United Auto Workers union. And though its own shares are not necessarily that expensive in terms of longer term earnings potential, the offering looks set to come in a market where even cyclical stocks are discounting robust recovery this year.

Given the lack of international appeal, most of the issue may have to be placed in the US. But US investors, for different reasons, are also expected to take the lion's share of the Wellcome offering. At some stage they may rebel against such a heavy burden. International investors might reflect in their turn that Japanese industrial equities look cheap on fundamental grounds and the yen is weak. Toyota could put up a fight with GM in the equity market as well as the forecourt.

Regulation

In many ways the proposals put forward by Sir Kenneth Clucas for changing the regulation of UK retail financial services look sensible. Sir Kenneth's central idea – merging the life insurance and unit trust overseer Lautro with Fimbra, the financially strapped body which looks after independent intermediaries – should introduce badly needed stability into the system. The self-regulating organisation (SRO) which emerges will at least be viable, and may even serve to slow down the regrettable contraction of independent financial advice.

Externally imposed structures, though, inevitably fail to satisfy all those they are intended to please. Imro, for example, another SRO which looks after investment managers, clearly remains unconvinced by the Clucas argument that regulators should be distinguished from each other by the sort of clients which their members serve. Imro thus looks certain to keep pleading the cause of regulation according to the function of company concerned.

Given that Imro stands to lose 30 per cent of its members, it will doubtless be accused of special pleading. But a large number of its members, notably in Scotland, evidently share the concern. Not unreasonably, the likes of fund manager Baillie Gifford wonder why they should have to report to the new SRO on the marketing and administration of unit trusts when this part of their overall business is tiny.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday May 5 1992

INSIDE

Benckiser to buy Coty in $440m deal

Pfizer, one of the biggest US drug companies, has agreed to sell its Coty cosmetics and fragrance subsidiary to Joh. A. Benckiser, the German consumer products company, in a deal valued at $440m. Page 23

Stet shares continue fall

Shares in Stet, the company which controls Italy's state-owned telecommunications activities, continued to plummet yesterday following the announcement that the IRI state holding group planned a further dilution of its stake. Page 23

Bad news dogs Seoul equities

Expectations that opening the South Korean stock market to foreign investment last January would revive equities after a long period of underperformance have been dented by a run of bad news. This included the government's setback in National Assembly elections in March which increased political uncertainty and fuelled doubts about the government's ability to solve the country's economic problems. Page 29

Bond market in need of a rest

The Eurosterling bond market has held up well in the face of more than £2bn ($3.5bn) of supply since the UK election. The bullish sentiment which still pervades the market is exaggerated by grim conditions in most other bond markets. But some inventory is beginning to mount up, and the market may be in need of a short rest. Page 25

D-Mark bloc falls out of favour

European government bond markets experienced sharp reversals of fortunes during April. In particular, low-yielding markets clustered around Germany — known as the "D-Mark bloc" — fell out of favour, while high-yielding markets continued to rise against expectations. Page 28

Tail-chasing chartists

Many houses in the City of London employ chartists to predict exchange rates; and more and more are charting equities and commodities, and especially derivatives. Indeed, chartist influence is so widespread that some practitioners, in a tail-chasing move, now predict not what will happen in the markets, but what rival chartists are going to predict, writes Anthony Harris. Page 25

Market Statistics

Companies in this issue

Volvo thwarted in bid for Procordia

By Kevin Done, Motor Industry Correspondent

THE Swedish Government is to press ahead with its plan to privatise its large minority stake in Procordia, the Swedish pharmaceuticals and food group, thwarting a controversial bid by Volvo, the Swedish automotive group, to merge the two companies.

However, under an agreement released last night Volvo will become the largest single shareholder in Procordia and will be free to acquire a majority stake by buying shares on the market.

In January Volvo, Sweden's leading industrial group, announced a SKr38.7bn ($6.5bn) plan to merge with Procordia, in what would have been the country's largest corporate takeover.

The proposal ran into opposition from the conservative-led government, which is an equal shareholder in Procordia and had planned to make the sale of its stake the first step in its privatisation programme.

Volvo holds 42.7 per cent of the votes in Procordia and 39.5 per cent of the capital, while the state holds 42.7 per cent of the votes and 34.2 per cent of the capital.

Last night's agreement between Volvo and the government is a blow to the prestige of Mr Pehr Gyllenhammar, Volvo's autocratic chairman, whose pre-emptive move to force through a merger clearly under-estimated the strength of Swedish government opposition.

Under last night's agreement Volvo will raise its holding in Procordia from 42.7 per cent of the voting rights to 45 per cent in an exchange of some of its low-voting B-shares for some of the government's high-voting A-shares.

The government stake will be reduced to 40.4 per cent and Volvo will pay cash for any difference in the value of the shares exchanged.

The government is then committed to selling its remaining stake in Procordia "as soon as possible" in a broad Swedish and international offering.

Volvo said last night it would support the sell-off, which would be "implemented after co-ordination with Procordia as well as Volvo."

Volvo will have first right of refusal, if the government reaches agreement with any large single investor or with a group of investors acting in concert for the sale of a stake of 5 per cent or more.

Norma Cohen on the OFT inquiry into fees charged for raising capital

Thorny questions on commissions

Throughout decades of upheaval and change in the securities industry, at least one thing has remained immutable – the scale of commissions companies pay for raising capital. Even that could now change following an inquiry by the Office of Fair Trading.

Its move could bring to a head a long-simmering controversy pitting companies anxious to reduce costs against brokers and underwriters who collect the fees, and which could even question the UK system of pre-emptive rights.

For companies on the verge of bankruptcy and for those in the pink of health, 2 per cent of new equity capital has traditionally been set aside to cover the costs of brokers, underwriters and sub-underwriters. Brokers to a rights or initial public offering earn 0.25 per cent of the total, underwriters and sub-underwriters 0.50 and 1.25 per cent, respectively. Only in rare cases such as privatisations are commissions lower.

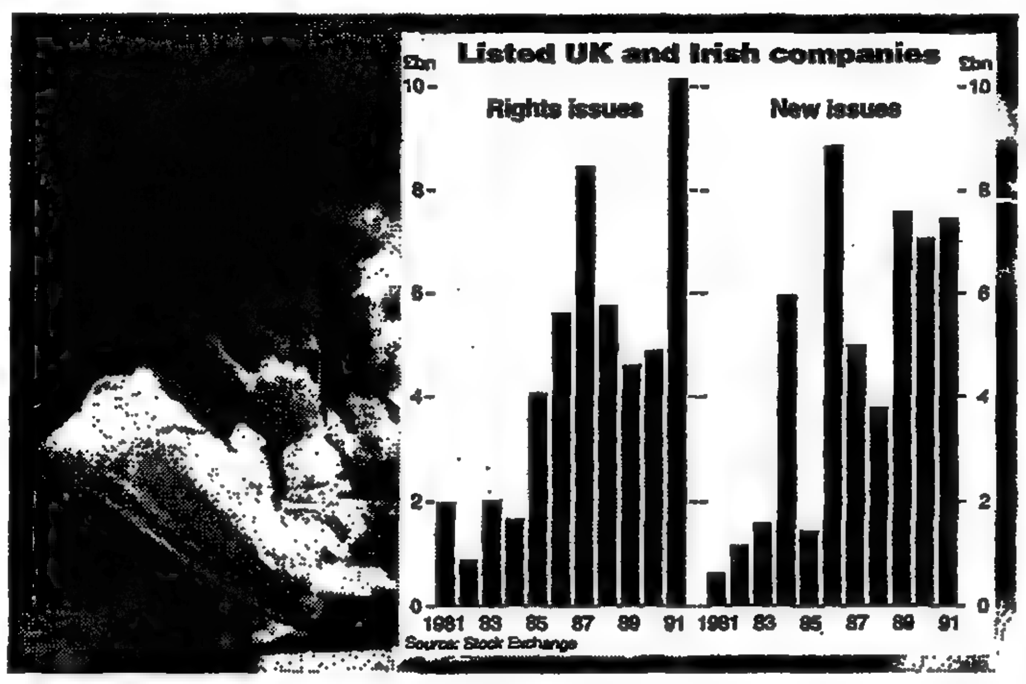
But early this year, the OFT began questioning the resistance of the cost of raising capital to competition, market conditions or indeed, any other factor.

In March, the OFT approached City of London trade associations to discuss why underwriting fees remained impervious to market forces. Its review is in a preliminary phase, and no decision has been made on whether to launch a formal investigation.

The OFT has received no formal complaints from companies, but it has been made aware of "general comment" from some unhappy about their inability to negotiate fees.

"It just seems to me to be illogical," says Mr Hugh Collum, finance director at SmithKline Beecham and chairman of the 100 Group of Finance Directors which includes Britain's largest corporations.

Companies planning rights negotiate the size of the discount to the share price at which new stock is to be offered. He says there seems little reason why fees for the service should not also be negotiable.



City brokers say the possible OFT attack on underwriting fees raises the prospect of a two-tiered market, with blue chip companies making rights offerings at a fraction of the former cost. Companies making rights offerings to prevent them sliding into bankruptcy face higher costs. Thus, the cost of capital would rise steeply for those needing it most.

They view the prospect with anxiety. At the heart of the UK system of underwriting lies the pre-emptive right of shareholders to have first refusal of any offering of stock that might dilute their stake.

Preserving pre-emptive rights requires companies to announce their intention to sell shares at a set price ahead of the offering date and makes underwritten offerings the one way companies can be sure of raising the capital they need.

In the US, where shareholders do not have pre-emptive rights, issues are rarely underwritten. Companies take advantage of shelf-registration rule 415 of the Securities and Exchange Act and file documents announcing their intention to raise capital.

When conditions are advantageous, they take their filing "off the shelf" and sell shares. While there are other costs, US companies say the procedure has made raising capital cheaper.

In the UK, a company's largest institutional shareholders typically act as its sub-underwriters in rights offerings, selling the shares to others at roughly what they cost but keeping the 1.25 per cent commission as profit. "It's money for old rope," said one institutional fund manager.

To the brokers and fund managers who earn the fees, the system is efficient, logical and cheap. Mr Charles Nunnelley, chairman of the Institutional Fund Managers Association and chairman of Robert Fleming Asset Management, says companies can – and do – negotiate costs by arguing over the level of discount to market price at which shares are to be sold.

He says the size of the discount is the real expense for companies, not the cost of commissions to underwriters.

Underwriting commissions are a kind of insurance policy, Mr Nunnelley argues. They are not intended to reflect the risk of an issue but the general market risk between the date an offering is announced and the date the shares are sold.

Brokers say the system of underwriting militates against negotiating fees. "A broker calls you up and says will you take a piece of XYZ company's stock at this price and you have to say yes or no on the spot. You don't have the opportunity to negotiate the fee," said one fund manager.

Brokers claim capital-raising costs have responded to market forces. Discounts on rights offerings have fluctuated widely over the years. They hovered between 15 per cent and 20 per cent through the early 1980s, but the competition of Big Bang in 1986 and go-go stock market prices combined to narrow discounts to between 10 per cent and 15 per cent.

Last year, after several well-publicised rights issue flops, discounts on a few issues widened to more than 20 per cent.

Meanwhile, Mr Nunnelley and others in the fund management industry say little money is made from underwriting or sub-underwriting. "It's a lot of very small profits that can be wiped out by a single failure," he said. When the UK government sold its stake in British Petroleum, arranging underwriting days before the October 1987 stock market crash, the ensuing losses were said to have wiped out several years' worth of institutions' underwriting profits.

The OFT wants to know how much money is made from underwriting. It has asked IFMA, the British Merchant Bankers Association and the National Association of Pension Funds for profits earned by members from the activity over the past 10 years.

Mr John Rogers, secretary to NAPF's investment committee, says the exercise has been profitable for pension funds "or they wouldn't do it". But the profits are marginal compared with investment gains. If sub-underwriting became operationally difficult for pension funds, they would not do it at all, he says. "For our part, we are as happy to see non-underwritten deep discounted issues," he says.

Political battle for Midland hots up

By Robert Peston in London and Simon Holberton in Hong Kong

LLOYDS BANK'S political advisers have been taking advice from Mr Keith Hampson, the Conservative MP with close links to the President of the Board of Trade, Mr Michael Heseltine, in its battle with Hongkong Bank to take control of Midland, it was disclosed yesterday.

Mr Hampson's role will be seen in the City of London as important since the struggle for control of Midland is increasingly being played in the political arena.

Mr Heseltine has the central role in deciding whether Lloyds' or Hongkong Bank's plans to acquire Midland should be scrutinised by the UK competition authority, the Monopolies and Mergers Commission.

Mr Hampson has for several years been on a retainership with GJW, the firm of political lobbyists hired by Lloyds. He said yesterday that Mr Andrew Gifford, GJW's founder, had spoken to him about the bid.

But Mr Hampson said he would not describe himself as an adviser to Lloyds. "I haven't had a cheque from GJW since last summer", he said.

Mr Hampson, a co-manager of Mr Heseltine's unsuccessful campaign to become leader of the Conservative Party in 1990, will be used as a "sounding board" by Lloyds, a Lloyds adviser said, though it is unlikely he will do any high profile lobbying for Lloyds.

Lloyds is also employing Mr Tony Carlisle, of public relations firm Dewe Rogerson, who has close links with the Treasury, having worked on most of the UK government's big privatisations.

Meanwhile, Hongkong Bank has taken on Sir Tim Bell, the public relations adviser who worked for Mrs Margaret Thatcher, and his firm Lowe Bell, as political lobbyists. It is also employing Mr Francis Maude, the former treasury minister, as an adviser to its chairman, Mr William Purves.

Even Midland has taken on a political lobbying firm, Ian Greer Associates.

The first important political decision to be made in the battle for Midland is whether DG4, the European Community competition authority in Brussels, has jurisdiction over Hongkong Bank's offer.

Observer, Page 19

A spring in the step of fiscal debate

Economics Notebook

By Peter Norman

Late spring is the season when finance ministers stray from home.

Last week, they came from all over the globe for the International Monetary Fund and World Bank meetings in Washington. Next weekend, European Community finance ministers converge on Oporto, Portugal, for one of their twice-yearly informal gatherings. On May 18 and 19, the Paris-based Organisation for Economic Co-operation and Development (OECD) will host finance, trade and foreign ministers from its 24 industrialised member nations at its annual ministerial meeting.

One short-term purpose of this peripatetic hob-nobbing is to prepare the annual economic summit of the Group of Seven leading industrialised countries – to be held in Munich in early July. The more important longer-term goal is to help frame and co-ordinate economic policies in the G7 (the US, Japan, Germany, France, Britain, Italy and Canada) over the coming decade.

The G7 process of cajoling and consensus-building is far from perfect. But it can probably take the credit for preserving the world from extreme protectionism over the past two decades of monetary and economic turbulence. Although much can still go wrong, the leadership and assistance provided by the G7 countries probably constitute the best hope of integrating Russia and other former communist countries into the world economy.

But, while the problems and challenges posed by the collapse of communism have grown, so have the difficulties of economic management among the G7 and in the other industrialised countries. Although hopes have risen over the past month of economic recovery in the US, Germany, Britain and Canada, the world economy is still too fragile to be left on auto-pilot.

The Munich summit should, therefore, be an important event, and not just for the G7. The influence group members exercise on other countries is large and growing.

The danger is that, for the second year running, a man from Moscow will steal the show. Last year's London summit was upstaged by the arrival of Mr Mikhail Gorbachev, then president of the Soviet Union, for talks on the final day with the summit seven. This year, Russian president Mr Boris Yeltsin is expected to join the G7 leaders after their main discussions. That should be just after the planned July 1 adoption of a unified rouble exchange rate which could spell high drama in the Russian economy.

By contrast, Germany, this year's summit host, wants the G7 leaders to discuss a two-part growth strategy for the western industrialised countries in Munich.

Details of the proposed strategy are sketchy so far. But according to Mr Horst Kohler, a state secretary in the German Finance Ministry and Chancellor Helmut Kohl's chief international economic negotiator, the G7 should tackle short-term worries about growth with confidence-building measures, and focus more on structural problems in the world economy to help increase its long-term growth potential. Serious structural problems include:

- The relationship of savings, investment and interest rates. To secure growth, it will be necessary to increase savings and depress inflationary expectations. Only then will finance be forthcoming for investment needs of the industrial countries, Russia, eastern Europe and the developing world at affordable real interest rates.
- The weaknesses of education and training systems, especially in the US and Britain.
- Entrenched industrial subsidies and labour market rigidities, preventing a better allocation of world resources.

The fact that these last two problems are prevalent in Germany shows the talks in Munich will have to be frank to achieve anything.

High budget deficits will also be a theme. They have been recognised as a serious impediment to growth for at least a decade. But the budgetary ill health of all G7 countries, except Japan and possibly France, illustrates how actions have fallen short of generally accepted policy prescriptions. However, if last week's meeting of G7 finance ministers in Washington is any guide, the big industrial countries may return to fiscal rectitude. They are gradually abandoning their recent flirtation with expansionary fiscal policies as an antidote to recession.

Only Japan was urged to spend more on public works to boost its economy. This probably reflected frustration by other countries about Japan's rising trade surpluses at a time of slowing domestic growth rather than a long-term assessment of what might be best for the global economy.

Significantly, it was Mr Norman Lamont, the UK chancellor of the exchequer, who led the questioning of Germany's high public-sector deficit. He also warned of a tough round of public expenditure negotiations in the UK between now and the Autumn.

The G7 discussions also highlighted how difficult it is for ministers to speak the same language when striving for consensus. The size of Germany's public-sector deficit was disputed between the UK and US, on one side, and Germany on the other.

The UK and US claim the deficit amounts to around 6 per cent of gross domestic product when all elements of the public sector are taken into account. If true, that would give Germany the EC's second biggest annual deficit after Italy. Mr Theo Waigel, German finance minister, cited IMF figures that put the deficit at about 3.5 per cent of GDP. Even if all off-balance sheet items were included, the deficit would not exceed 5 per cent of GDP, he said.

G7 fiscal policy is bound to be a key issue of debate at Munich and in the years ahead. The least the seven finance ministers should do now would be to instruct their officials to work out a harmonised method of calculating deficits so fiscal debate does not turn into unnecessary dispute.

Lagardère to spell out merger plan today

By Alice Rawsthorn in Paris

MR Jean-Luc Lagardère, chairman of the Hachette publishing empire and the Matra defence and electronics group, will today announce details of the merger of the two companies and a FFr2.8bn ($500m) recapitalisation and rationalisation programme for Hachette.

The shares of both companies have been suspended since last Thursday pending the announcement prompted by problems at Hachette.

Hachette is burdened by net debt of about FFr8bn after its US acquisitions in the late 1980s. It made FFr3.5bn losses last year on its ill-fated investment in La Cinq, the bankrupt French television station.

The La Cinq losses took such a toll on Hachette's balance sheet that it has asked its banks, including Crédit Lyonnais and Banque Nationale de Paris, for FFr2.8bn in extra capital. The banks are believed to have agreed in principle.

Hachette is expected to issue a combination of new shares and convertible bonds. As a result MMB, which indirectly owns 51 per cent of the equity, would lose its majority holding, but it is expected to retain control of the voting shares.

MMB, the holding company through which Mr Lagardère's family controls Hachette and Matra, yesterday announced losses of FFr448.2m in 1991 against net profits of FFr368.2m in 1990. The board proposed to cut the dividend from FFr2.25 to FFr1.5 a share.

Hachette last week disclosed a loss of FFr1.93bn for 1991 compared with profits of FFr492m the previous year.

Move to dampen rumours on cost of election investment strategy

Royal paid under £15m for options

By Jane Fuller

ROYAL INSURANCE has moved to dampen speculation that a deal designed to protect the value of its UK equities portfolio against the general election result has lost it tens of millions of pounds.

The beleaguered insurer, which virtually doubled its pre-tax losses last year to £373m and passed its final dividend, bought put options last autumn to protect itself against a drop in the FTSE 100 index following a hung parliament or a Labour election win.

It said yesterday that it had paid less than £15m for the options, that the expense was part of last year's accounts and that the options, lasting a year, remained tradeable. There had been speculation that the cost of the puts was between £15m and £40m.

A large part of its £400m portfolio of UK equities is covered. The options' seller would buy shares from Royal if the FTSE fell below the a trigger level, which Royal has also refused to disclose. It said yesterday that the cash it would have received had the election result been different was "not a big deal".

Since the election, the FTSE has risen by about 10 per cent – it closed at 2659.8 on Friday. But it is not clear what increase there has been in the value of Royal's portfolio to compensate for the cost of the options.

Royal would only say they were taken out in the autumn. Between September and November the FTSE fell from 2679.6 to 2420.2, with the sharpest drop coming in mid-November.

The options were revealed with the final results in February. Mr Richard Gamble, chief executive, said that in the run-up to a general election, "we simply could not afford the risk of the market going into free fall."

The company added yesterday: "All we have done is to take out reinsurance against a possible loss."

The protection of the balance sheet against a significant decline in equity values was regarded as prudent after the battering inflicted by two years of heavy losses.

The important solvency margin – measuring net assets as a percentage of non-life premium income – was improved from 29 per cent to 34 per cent by the sale of its Dutch operations for £166m in February, but was still giving some cause for concern. The announcement that the final dividend would be passed, saving £96m, came a few days after this disposal.

Another stumbling block for Chelsea

By Jane Fuller

FULHAM Football Club's announcement on Saturday that it expects to stay at its Craven Cottage ground for another season represents an awkward back pass for Chelsea Football Club, its potential landlord at Stamford Bridge in west London.

Fulham's agreement to move to Stamford Bridge is regarded as crucial to Chelsea's purchase of its ground from Cabra Estates, the quoted property company.

The deal involves Chelsea paying £13m cash and taking on a liability to Fulham which would have cost Cabra £8.25m.

Cabra, which has about £52m debt, is anxious to have vacant possession of Craven Cottage.

Fulham's directors seem willing to exchange £5m of the amount owed to them for a 125-year lease at Stamford Bridge at a peppercorn rent. But they would like the rest in cash and are concerned that the third division club will be a poor relation at Stamford Bridge, which helps to explain the flexing of negotiating muscles.

With Chelsea having to find £13m to buy the ground, further cash outlay would add to the strain. This level of debt would be exceptionally high for a football club.

As the plan is for Chelsea to become the mortgagee at Stamford Bridge, the value of the ground with such a lease is also an issue. The main lender is the Royal Bank of Scotland, which is carrying out a new valuation.

Cabra had considered winding up Chelsea after the club failed to come up with £22.85m cash to buy the ground. Legal proceedings have been halted while the new deal is negotiated.

Fulham's departure from Craven Cottage could only be delayed for one more season because of the lease. It would have to spend up to £300,000 on essential safety work to stay on even for that short period.

Fulcrum Trust raising funds and seeking to extend life

By Philip Coggan, Personal Finance Editor

FULCRUM Investment Trust is asking shareholders to approve a £12.9m rights issue and to extend its life to 1999.

The split capital trust currently has two classes of shares: income and capital. The directors propose an underwritten rights issue of income shares on the basis of 5-for-2 at 57p.

In addition, it is planned to create a new class of capital – zero dividend preference shares – which will have first claim on the assets. Just over 8.6m of these shares will be placed with existing capital shareholders having the right of clawback on a 7-for-13 basis. The zeros, which are being placed at 103p, will be entitled to receive 208p on the new winding-up date in 1999. This is equivalent to a redemption yield of 10.8 per cent.

There will be a reduction in the net dividend on the income shares from 9.2p to 8.37p and the redemption value of each share will fall from 40p to 0.1p.

However, if the trust can achieve dividend growth of 5 per cent a year, the gross redemption yield on the shares will be 13 per cent.

Shareholders must approve the proposals at an extraordinary meeting on May 26. The directors have received undertakings to vote in favour from 63.8 per cent of income and 36 per cent of capital holders; in aggregate, this represents 49.9 per cent of the total votes.

The directors are required to convene an EGM to wind up the company at some point between January 1 1991 and December 31 1994.

The trust is accordingly making an alternative cash offer, equivalent to the current redemption values of the two classes of capital; namely 40p per income and 10.75p per capital share.

These compare with Friday's closing prices of 65p and 11.5p respectively.

Better trading environment for Daily Telegraph

By Maggie Urry

Panmure Gordon, brokers to the Daily Telegraph, has published a report on the company, which is planning a stock market flotation in the summer. The report says it has been transformed over the last six years from a loss of £11.2m in 1986 to a pre-tax profit of £40.5m in 1991.

However, the report says the company is operating in a mature area of publishing, although the quality national sector should do well in a period of cyclical recovery.

The broker argues that the Telegraph will be able to use its strong cash flow and its share quotation to make acquisitions. These are likely to be in the media, mainly newspaper publishing in the UK and overseas, and to some extent in the UK television industry.

Panmure is constrained from making profit forecasts but says currently there is a more encouraging trading environment, and operational gearing means extra revenue can convert into profits at rates up to 70 per cent.

In 1993 the recovery in advertising should gather pace, and the group's 15 per cent stake in John Fairfax, the Australian newspaper group, should more than cover its financing costs.

Europa board favours Brierley

By Kenneth Gooding, Mining Correspondent

SHAREHOLDERS IN Europa Minerals, the UK mining finance house, have been urged by their board to support the financial rescue offered by companies associated with Sir Ron Brierley, the New Zealand entrepreneur, rather than rival proposals from Austmin, an Australian exploration company.

However, Mr Guido Staltari, managing director of Austmin, which is Europa's biggest shareholder with 14.3 per cent, said that by last weekend he expected proxies representing 45 per cent of the votes to be lodged in favour of his company's scheme.

Europa's board reported that it had sold off one of its two remaining UK coal properties for £50,000. This resulted in a book profit of about £359,000, after expenses, as the company had been able to release a provision against closure costs of £317,000.

It was negotiating the sale of the other coal property and "significant progress has been made in agreeing new facilities with Europa's two principal bankers".

In a circular to shareholders the Europa directors recognised that the Austmin proposals represented a smaller discount to the share price prior to the announcement of an open offer and placing by GPG and Mid-East Minerals, companies in Sir Ron's orbit.

"This is significant for shareholders who do not take up their entitlements, but for those who do, this would not be an issue," the circular reads.

In addition, the MEM offer of warrants would allow present Europa shareholders "to participate in the company's potential upside without financial commitment at this stage".

Guide for banks on securitisation

THE BANK of England has published guidelines for the securitisation of credit card receivables by banks. This process allows banks to bundle up a large number of credit card receivables and sell them, via the bond markets, to outside investors – a practice common in the US, writes Philip Coggan.

Through securitisation, banks will be able to remove credit card receivables from their balance sheets – thereby freeing them to make other loans. A number of banks, including Barclays, have been pressing for this change.

The Bank of England has been concerned to ensure that, before such loans can be taken off balance sheet, all the risks involved in the loans are removed from the banks. In particular, where goods bought via credit cards are faulty, the customer may have a claim against the card issuer; it wants banks to receive an indemnity against such liabilities, or take out insurance to cover the risk.

In addition, the Bank intends to impose a limit on the amount of credit card receivables which a bank can remove from its balance sheet. The limit, which will be reviewed periodically, has been initially set at 10 per cent of a bank's capital base.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Italcementi (Italy)	Ciments Francais (France)	Cement	£605m	Industry consolidation continues
Hershey Foods (US)	Freia Marabou (Norway)	Confectionary	£101m	Strategic stake
J Bibby (UK/S Africa)	Finanzauto (Spain)	Heavy equipment	£75.1m	Local commission disallows
Bank of Scotland (UK)	Countrywide (N Zealand)	Banking	£8.2m	Upping stake to 60%
Rhone-Poulenc (France)	Chemlon (Czechoslovakia)	Artificial fibres	n/a	RP wins control battle
Rhone-Poulenc/Prayon-Rupel (Belgium)	Europhos (JV)	Speciality phosphates	n/a	50/50 venture
United Biscuits (UK)	Aura (Italy)	Confectionary	n/a	Establishing Italian presence
SmithKline Beecham (US/UK)	Sachsisches Serumwerke (Germany)	Pharmaceuticals	n/a	Buy from Treuhand
Sedgwick (UK)/Ceska Pojistovna (Czech)	Ceska Sedgwick Risk Services (JV)	Insurance services	n/a	Management & broking jv
Scania (Sweden)/ Capena (Poland)	JV	Heavy vehicles	n/a	Vehicle assembly venture

Source: FT Mergers + Acquisitions International

NEWS DIGEST

Barlo moves back into the black

INCREASED turnover and a cut in operating costs produced a turnround at Barlo Group, the Dublin-based radiator manufacturer, following two years of losses.

For the year ended March 31 1992 the company made a pre-tax profit of I£1.88m, or £1.72m, compared with a deficit of I£1.89m in 1991.

Turnover was I£14.7m (I£13m) while operating costs were reduced to I£13.2m (I£13.4m). The profit was boosted by an exceptional credit of I£454,000 (loss I£981,000) and a £454,000 cut in interest charges. Earnings per share were 3p (losses 3.73p).

Dana Exploration

Dana Exploration, the Dublin-based onshore mineral exploration company quoted on the USM, incurred an increased net loss of I£82,664 (£75,000) for the six months to July 31, compared with I£42,694.

The loss comprised an exceptional I£43,338 (I£21,044) incurred on licences and administration costs of I£39,334 (I£21,690).

Towles

Towles, the hosiery maker and wholesaler of textiles, made a pre-tax profit of £1,000, compared with a loss of £56,000, in the year ended February 28 1992.

Turnover edged ahead from £15m to £15.4m.

Earnings were 0.33p (losses 1.53p) and the dividend is again 0.25p.

COMPANIES AND FINANCE

Benckiser pays Pfizer $440m for Coty offshoot

By Alan Friedman in New York

PFIZER, one of the biggest US drug companies, has agreed to sell its Coty cosmetics and fragrance subsidiary to Joh. A. Benckiser, the German consumer products company, in a deal valued at $440m.

The deal, expected to close by the end of June, comes nearly 30 years after Pfizer first acquired Coty, a leading supplier of men's and women's fragrances to US mass market retail outlets.

Mr William Steere, Pfizer chairman, said the sale would allow Pfizer's management to focus on the business strategy of the company's main healthcare operations.

He said Pfizer's strategy would be to retain the group's other consumer products businesses, based on over-the-counter medications.

Mr Steere said Coty's 1,162 employees would be "better served by a strategic buyer". He said the fragrance and cosmetics company would be in a stronger position to realise its potential "with Benckiser's commitment."

Benckiser, which is based in Ludwigshafen, has operations in more than 20 countries and is active in household products, fragrances and cosmetics. It sells a range of fragrance products through its US subsidiary.

Mr Thomas Bonoma, executive vice-president of Benckiser, said Coty would provide "a powerful array of additional brands to complement our existing lines." He also said Benckiser was eager to make use of Coty's US distribution network.

On Wall Street, Pfizer's share price was improved by $1¼ to $72⅛.

Ford of Europe back in the black

By John Griffiths

FORD of Europe, wholly-owned by the second largest US car maker, hopes to break even for the whole of 1992 after losing $1.08bn last year, chairman Mr Lindsey Halstead said at the weekend.

But this would depend on a new car sales recovery in the UK, which usually accounts for around 40 per cent of Ford's European sales.

Last year the UK market fell by 20.7 per cent to 1.59m cars, after a 13 per cent drop the previous year from 1989's record 2.3m units. Within the 1991 total Ford's own share fell to 24.24 per cent from 25.25 per cent the previous year.

Ford hopes the market will reach 1.65m this year, although to do so means the market rising to an annual rate of 1.8m in the third quarter.

"That would be one hell of a turnaround, so I'd be delighted if we could do it," Mr Halstead said in an interview with Reuter in Barcelona.

The European subsidiary has started the year relatively well, making a first-quarter net profit of $84m compared with a loss of $129m a year before.

It operated profitably in most of its main European markets, including the UK, and reduced operating losses of Jaguar – now a direct subsidiary of Ford US, not Ford of Britain – into $90m from around $130m.

However, Mr Harold Poling, chairman of the parent Ford US, has warned that Ford of Britain itself must narrow its productivity gap with continental Europe. All Ford's UK factories suffered from historic inefficiencies, including productivity rates and amount of time worked.

The financial improvement in the UK, achieved despite the continuing decline in the UK new car market, was the chief factor behind the European company's return to profit.

The UK result came in the face of a 10.3 per cent fall in first-quarter sales volume, to 95,896 from 106,892 a year ago.

Last year Ford actually increased its sales by 3.6 per cent in western Europe overall, but had to cut prices and shoulder heavy marketing expenses to achieve this.

Ford's experience has been in sharp contrast to that of General Motors, Europe's most profitable mass car maker, earning $1.76bn last year and expecting $1.5bn this year.

STET shares continue to fall on IRI plan to dilute stake further

By Haig Simonian in Milan

SHARES in STET, the company which controls Italy's state-owned telecommunications activities, continued to plummet yesterday following the announcement that the IRI state holding group planned a further dilution of its stake.

Ordinary shares in STET plunged by L122 to L1,899, while savings stock fell by L95 to L1,770 as dealers responded to IRI's plan, announced last week, to sell off more of its holding.

Under the complex proposal, IRI's stake could fall to just 1 per cent of STET's non-voting savings shares. However, state control will be guaranteed as IRI's holding of ordinary shares in STET will not fall below 53 per cent.

IRI now owns around 69 per cent of STET's ordinary stock and 30 per cent of its savings shares, if all outstanding warrants are exercised.

The deal, scheduled for June, involves the sale of 350m ordinary shares and of warrants to acquire a further 175m ordinary shares and 350m savings shares.

Existing shareholders will be offered "packets" of 1,000 ordinary shares and 50 A warrants, each of which will be valid to buy a further 10 ordinary shares, as well as 100 B warrants, giving the right to buy 10 savings shares. No terms for the deal have been disclosed.

Although attractive in principle, the part-privatisation has been attacked by dealers on the grounds that it comes too soon after a string of money-raising ventures by IRI, notably on the telecommunications side

Last June, IRI raised around $275m by reducing its holding of STET savings shares.

The market's hostility has been reinforced by the gloom on the Milan bourse, which has been beset by general political uncertainties and a deepening local corruption scandal.

"The market is in no mood for any capital raising ventures at present", said one broker.

Pinault profit halved but payout held

By Alice Rawsthorn in Paris

PINAULT, the French industrial group which recently ran into controversy over its bid for Au Printemps department stores, saw its net profits halved to FFr503m ($90m) in 1991 from FFr1.05bn the year before.

The fall was attributed to a cut in exceptional earnings. *Last year it made exceptional* gains of just FFr129m, compared with FFr913m in 1990 from the sale of two industrial units and a Paris property.

Pinault, chaired by Mr François Pinault, one of France's more ambitious industrialists, said its performance so far in 1992 had been "satisfactory" and expressed confidence about full-year prospects.

As a result the board proposed to hold the dividend at FFr9.4 a share, despite a fall in earnings per share from FFr48.6 to FFr21.1.

Turnover rose by 11.5 per cent from FFr32.57bn to FFr36.3bn and operating profits by 47 per cent from FFr1.58bn to FFr2.32bn.

Pinault said one of its priorities was to cut debt. The group has been left with heavy debts of FFr15.5bn after last year's acquisitions in the retail sector, which included the Conforama chain of furniture stores as well as Au Printemps.

The bid for Au Printemps, originally a partial bid for two thirds of the shares, hit the headlines when minority shareholders complained about being excluded from the deal. The ensuing row was one of the catalysts for the French government's on-going reform of takeover legislation.

Cigna earnings surge in opening quarter

By Nikki Tait in New York

CIGNA, the big Philadelphia-based insurer, yesterday reported after-tax profits of $106m in the first three months, compared with $48m a year ago.

The improvement was struck after realised investment gains of $37m, as against $8m in the first quarter of 1991.

Cigna's chief executive, Mr Wilson Taylor, said that the property-casualty results continued to "reflect the weak pricing environment", but he added that the employee benefits, and individual life and pensions businesses had all performed well.

The property-casualty division reported after-tax profits of $31m, but only after including realised investment gains of $21m and $20m from the sale of Cigna's equity interest in MBIA, the bond insurance business.

A year earlier, the company reported break-even figures, but had no net realised gains or losses.

The employee life and health benefits division made $38m after-tax, after including realised investment gains of $3m. A year ago, the figure was $19m, with a similar level of investment gains.

The employee retirement and savings benefits operation made $48m, after investment gains of $4m, compared with $43m, with no investment gains or losses, a year ago.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.02	16.71	16.71
0100	17.02	16.69	16.69
0130	17.06	16.93	16.93
0200	[illegible]	25.17	27.25
0230	17.79	[illegible]	27.22
0300	[illegible]	25.17	27.21
0330	17.79	25.17	27.17
0400	[illegible]	20.87	22.84
0430	17.03	17.65	19.42
0500	17.07	16.82	16.82
0530	[illegible]	17.73	19.53
0600	17.03	17.73	19.53
0630	17.02	[illegible]	19.52
0700	17.02	19.26	21.10
0730	17.03	19.26	21.10
0800	17.03	[illegible]	19.53
0830	17.05	17.73	19.52
0900	17.05	17.73	19.52
0930	17.78	16.82	16.82
1000	18.45	[illegible]	19.53
1030	17.78	19.26	21.10
1100	20.21	19.26	[illegible]
1130	20.41	21.48	23.37
1200	22.25	25.83	27.84
1230	22.25	25.83	27.84
1300	22.25	25.83	27.84
1330	20.41	25.26	27.27
1400	19.19	19.26	21.11
1430	18.45	16.79	16.79
1500	17.06	16.76	16.76
1530	17.04	16.76	16.76
1600	17.03	16.72	16.72
1630	17.03	16.72	16.72
1700	17.05	16.72	16.72
1730	17.06	[illegible]	16.72
1800	17.78	16.72	16.72
1830	[illegible]	[illegible]	16.74
1900	17.78	16.78	16.78
1930	17.78	[illegible]	16.82
[illegible]	[illegible]	17.73	[illegible]
2030	18.45	25.83	27.86
2100	17.78	25.83	27.84
2130	19.61	25.83	27.85
2200	19.61	25.26	27.27
2230	18.59	[illegible]	19.52
2300	18.59	16.85	16.85
2330	18.59	16.76	16.76
2400	17.05	16.72	[illegible]

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.05.92: Pool purchase price £/MWh	Final Prices for Trading on 06.04.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.01	16.68	16.68
0100	[illegible]	16.68	16.68
0130	17.05	16.85	16.85
0200	22.24	16.80	17.64
0230	22.24	16.80	17.62
0300	22.24	16.80	17.62
0330	18.59	16.80	17.64
0400	18.59	16.80	17.65
0430	17.09	16.85	16.85
0500	17.03	16.79	16.79
0530	17.09	16.90	16.90
0600	17.09	[illegible]	16.82
0630	17.06	16.88	16.88
0700	[illegible]	[illegible]	[illegible]
0730	17.09	18.77	19.68
0800	18.29	24.05	25.22
0830	18.36	24.16	25.37
0900	18.35	24.84	26.13
0930	18.41	24.77	26.04
1000	18.60	24.59	25.81
1030	18.69	24.02	25.19
1100	20.60	[illegible]	24.95
1130	23.74	23.16	24.29
1200	23.74	23.16	24.22
1230	23.74	23.05	24.09
[illegible]	23.74	22.92	23.93
1330	20.60	21.74	22.70
1400	18.69	20.95	21.88
1430	17.09	20.94	21.87
1500	17.09	20.94	21.87
1530	17.07	20.94	21.87
1600	17.09	20.96	21.89
1630	17.13	23.84	24.85
1700	22.90	24.21	25.23
1730	22.90	24.20	25.21
1800	22.90	24.15	25.17
1830	18.69	20.75	21.68
1900	20.62	20.72	21.65
1930	20.62	20.72	21.65
2000	20.62	20.72	21.64
2030	21.53	24.57	25.58
2100	22.59	24.57	25.59
2130	22.59	24.57	25.59
2200	22.59	24.20	25.22
2230	22.59	18.75	19.63
2300	19.00	17.00	[illegible]
2330	17.14	16.84	16.84
2400	17.08	16.81	16.81

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

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1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.08	16.70	16.70
0100	17.09	16.74	16.74
0130	17.12	16.88	16.88
0200	18.60	17.03	17.03
0230	[illegible]	18.75	19.74
0300	17.14	18.75	19.74
0330	17.12	16.90	16.90
0400	17.09	16.88	16.88
0430	17.07	16.84	16.84
0500	17.07	16.84	16.84
0530	17.07	16.90	16.90
0600	17.07	16.88	16.88
0630	17.05	17.03	17.03
0700	17.20	19.88	20.93
0730	17.45	20.17	21.24
0800	20.21	21.98	23.07
0830	24.02	25.50	26.83
0900	24.03	25.65	27.02
0930	26.03	25.47	26.80
1000	26.04	25.36	26.68
1030	26.05	23.64	24.75
1100	26.04	22.47	23.60
1130	26.04	22.52	23.69
1200	26.04	22.54	23.71
1230	26.03	22.48	23.63
1300	26.02	[illegible]	22.81
1330	23.81	21.33	22.39
1400	23.72	21.27	22.32
1430	23.72	21.06	22.10
1500	23.72	21.06	22.10
1530	23.72	21.06	22.10
1600	23.72	21.07	22.11
1630	25.51	25.44	26.59
[illegible]	25.51	25.45	26.59
1730	25.51	25.44	26.58
1800	25.51	25.43	26.57
1830	21.03	19.88	20.90
1900	[illegible]	19.88	20.90
1930	19.70	16.90	16.90
2000	19.37	16.97	16.97
2030	19.37	23.54	24.63
2100	26.37	23.54	24.64
[illegible]	27.23	23.54	24.64
2200	27.23	23.54	24.66
2230	27.23	18.71	19.70
2300	18.62	18.62	19.62
2330	17.22	16.90	16.90
2400	17.09	16.81	16.81

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

COMPANIES AND FINANCE

Earnings at Nedcor increase by 15%

By Philip Gawith in Johannesburg

NEDCOR, South Africa's fourth largest banking group, managed to record a 15 per cent increase in earnings in the six months to the end of March despite the difficult operating environment.

Mr Chris Liebenberg, chief executive, said the first half had been much tougher than anticipated. Net interest income rose by 20 per cent to R796m ($276m) while other income was up by 19 per cent to R493m. Net operating income was 19 per cent up at 441m.

The lower bottom line increase – net earnings were up by 15 per cent to R192m – was principally the result of a 23 per cent rise in specific and general provisions for bad debts to R103m.

Mr Liebenberg said although only about 4 per cent of the total loan book was to the agricultural sector, the group still felt the effect of the bad drought.

The bad debt position was also aggravated by very difficult conditions in the mining industry and Nedcor's high home-loan exposure in the black community where unrest has driven many tenants into arrears.

Total assets grew by 13 per cent to R45bn, while advances were 18 per cent up at R33.2bn.

Mr Liebenberg said the second half would be very tough, but he expects earnings to be matched or improved. The dividend was lifted by 11 per cent to 21 cents per share on an earnings per share increase of 13 per cent, to 102 cents.

Bank Vontobel sees higher income

BANK J Vontobel & Co, a leading Zurich investment bank, expects to reverse a two-year profit slide this year in spite of difficult trading conditions in Swiss financial markets, writes Ian Rodger in Zurich.

"We are expecting higher income this year," Mr Oskar Holenweger, chief executive, said at the bank's annual news conference, adding that first quarter results were "comfortably over budget".

Net income of Bank Vontobel in 1991 dropped 8.6 per cent to SFr13.8m ($9.1m), mainly because of the erosion of margins in brokerage operations following the removal of fixed commissions from Swiss securities transactions at the beginning of 1991. The bank's net commission income dropped 9.4 per cent to SFr83.7m.

Income from portfolio management and custodial services was flat at SFr30.7m while that from new issues and miscellaneous commissions jumped 30.6 per cent to SFr20.5m.

Net interest income halved to SFr6.5m, partly because of internal infrastructure investments, but income from trading soared to SFr22.6m from SFr6m.

Despite the bank's weaker earnings, consolidated net income of the Vontobel group soared from SFr6.3m to SFr22.3m, excluding an extraordinary SFr15m transfer from hidden reserves in the previous year.

Mr Walter Kaeser, chief financial officer, attributed the gain to improved earnings of other subsidiaries and from the treasury operations of the parent company, Vontobel Holding. Profits on treasury operations jumped from SFr2.7m in 1990 to SFr16.1m last year.

Vontobel Holding's net income in its fiscal year to March 31, 1992, rose 4.4 per cent last year to SFr14.1m.

Big three Swiss banks seen as villains of the piece

Ian Rodger on Mr Vontobel's cautionary tale

In the rankings of Zurich's gnomes, few – if any – outrank the blue-blood Vontobels. Thus, when a Vontobel speaks, the Swiss financial community listens.

Yesterday, Mr Hans-Dieter Vontobel, chief executive of the eponymous family-controlled banking group, spoke loudly, launching a book* in which he argues that radical reforms essential to Switzerland's financial industry should not be implemented so quickly as to kill off most of the players.

The villains of Mr Vontobel's piece are the big three universal banks, Union Bank of Switzerland, Swiss Bank Corporation and Crédit Suisse, which seem, perhaps unwittingly, to be doing just that.

He argues that the big three are already far too powerful in Switzerland, dominating virtually every financial market and decision-making on the stock exchange and other collective institutions. "In the end, that is bad for customers and bad even for Swiss politics," he says.

The big banks, however, are recognised to need a strong base to support their international aspirations. They have been snapping away market share from the small regional banks and demanding the public sector cantonal banks be weaned from their government guarantees.

Mr Vontobel too would like to see the playing field levelled but, he says, the cantonal banks, which could be a major force in the market, need time to adapt to a new era. "It would be bad to take away the guarantee right away – maybe in 10 years."

In his book, he writes, "More and more, it seems that the interests of the Swiss financial centre are diverging from the interests of banks working in the international arena. This fact should be borne in mind when considering conflicts over financial policies."

He also points to the case of currency options. In other financial centres, these are traded on futures and options exchanges open to all. In Switzerland, the big banks have prevented the local futures and options market, SOFFEX, from taking on currency options, prefering to keep that business for themselves.

* *Wettbewerb als Chance (Competition as Opportunity), by Hans-Dieter Vontobel and Lukas Morscher, Verlag Neue Zürcher Zeitung, Zurich, pp287.*

Steinmüller agrees to buy 40% of power unit

By Robert Taylor in Stockholm

L and C Steinmüller, the German power boiler and environment equipment manufacturer, has reached provisional agreement to acquire a 40 per cent stake in the power supplies group of Tampella, the Finnish engineering and forestry group, controlled by the Bank of Finland.

Tampella said the arrangement would enable it to "achieve its strategic goals" inside the European Community while Steinmüller would gain "new marketing channels" in Scandinavia and North America.

The announcement follows the decision last week by the Finnish state-controlled paper machinery and engineering group Valmet to acquire 91 per cent of Tampella's board machine production plants.

It also represents a further move in the restructuring of the debt-ridden Finnish company that made a pre-tax loss of FIM1.6bn ($355m) last year.

The power supplies business supplies chemical recovery systems for the wood processing industry and heat and electricity plants for the power industry. Steinmüller is a subsidiary of Philipp Holzmann, the Frankfurt-based construction and project management company.

Tampella was saved by the Bank of Finland as part of the rescue of the country's main savings bank, SkopBank. The bank's credit loss troubles were mainly caused by the outstanding debts accumulated by Tampella on loans totalling FM1.5bn.

Australian interests lift Lion Nathan

By Terry Hall in Wellington

INTERIM NET profit of Lion Nathan, New Zealand's biggest brewer, rose 22.5 per cent to NZ$46m (US$25m) from NZ$37.56m, after a surge in earnings from its 50 per cent stake in its Australian operations, formerly Bond Brewing. Lion's directors said they were exercising the option to buy the other half of the company, National Brewing, from Australian Consolidated Investments, for A$425m in cash and new shares.

They said the Australian brewer, which owns the Toohey's, Castlemaine and Swan brands, had more than doubled its earnings in the period.

Extraordinary losses of NZ$14.29m (NZ$730,000) brought a 13.9 per cent profits fall at the bottom line to NZ$36.83m. Total sales were NZ$551.33m, against NZ$691.09m last time.

INTERNATIONAL BONDS

Eurosterling sector may be in need of a short rest

THE EUROSTERLING bond market has held up well in the face of more than £2bn of supply since the UK election. The bullish sentiment which still pervades the market is exaggerated by grim conditions in most other bond markets. But some inventory is beginning to mount up, and the market may be in need of a short rest.

The market has coped with heavy supply because other factors have combined to attract crucial groups of investors to the market at the same time.

Most bond fund managers were substantially underweight in sterling before last month's election. Since then, they have switched not just to neutral but to overweight positions.

A month ago, the sterling bond market was beset by political uncertainty. Now, it is one of a shrinking band not wracked by political problems.

At the same time, European retail investors, reluctant to buy the market due to previous negative experiences with the currency, have regained some confidence. Sterling's strength since the election, and the prospect of a move to the narrow band within the exchange rate mechanism have helped convince some, like the Germans, who are no longer preoccupied with their own domestic bond market, to look again.

The sterling market is well acquainted with the alternation of feast and famine which characterises most Eurobond market sectors.

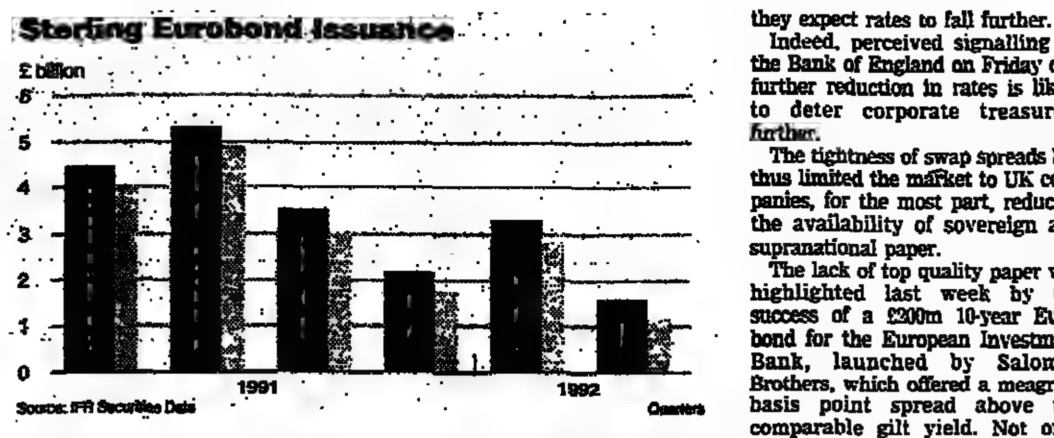
"Sterling, like Canadian dollars, is still a hot-money sector," said one banker. "It's the flavour of the month, then it's dead for two."

There is as yet little sign that the recent crop of issues represents anything more than the latest burst of activity. But bankers are keen to develop a corporate bond market in sterling, akin to, or at least modelled on, the US corporate bond market. To this end, many are developing stronger credit research capacity. The theory is that there is a long-term trend away from bank lending and towards funding in the bond markets.

"Banks no longer want to lend to corporates in sufficient size. The advent of capital adequacy rules is having a strong impact on the availability of loans," one banker said. Some companies, realising that loans are much harder to come by, are keener to tap bond markets.

Most of the latest batch of issues have been launched by UK companies. Among the crop was an ambitious £500m deal for Hanson, the largest deal in the sector to date, which lead manager Credit Suisse First Boston claims to have placed. But other bankers suggest there is inventory around, and other paper, like Finland's £150m deal via Baring Brothers, is not yet fully placed.

Sterling Eurobond Issuance



Source: IFR Securities Data

The preponderance of UK companies in the market is strongly linked to the availability of swaps. Swap spreads have been tight for some time, making the market unattractive for borrowers which do not have a fixed-rate sterling funding requirement.

Swap spreads from five through to 10-years are around 30 basis points above gilt yields.

So a strong company which would have to offer bonds at a spread of, say, 80 basis points above the gilt yield would have to pay at least 50 basis points above the London interbank offered rate.

Of last week's new issues, only the National & Provincial Building Society's five-year deal via JP Morgan, which took advantage of a slight widening of swap spreads, was swapped. However, while companies are eschewing floating-rate funding at the levels available, many do not want to lock in fixed-rate levels yet, since they expect rates to fall further.

Indeed, perceived signalling by the Bank of England on Friday of a further reduction in rates is likely to deter corporate treasurers further.

The tightness of swap spreads has thus limited the market to UK companies, for the most part, reducing the availability of sovereign and supranational paper.

The lack of top quality paper was highlighted last week by the success of a £200m 10-year Eurobond for the European Investment Bank, launched by Salomon Brothers, which offered a meagre 9 basis point spread above the comparable gilt yield. Not only was the issue snapped up by investors, but the spread has subsequently tightened to five basis points.

In fact, the performance was reflected in other sovereign and supranational sterling Eurobonds, which tightened three to four basis points relative to gilts last week.

Otherwise, Eurosterling spreads have been steady, a positive sign given the strong performance of the gilts market which the Eurosterling sector normally lags.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Nippon Syn.Chem.Ind.(b)#†	100	1996	4	3.375	100	Yamaichi Intl.(Euro)	3.375
Nippon Koshuha Steel(c)#†	80	1996	4	3.625	100	Yamaichi Intl.(Euro)	3.625
Export-Import Bk of Japan†	500	2002	10	8.000	100	IBJ Intl.	8.000
Council of Europe†	200	1994	2	5.500	100.645	UBS Phil. & Drew	5.152
Hydo-Quebec†	500	2002	10	8.625	100.635	CSFB	8.528
BNDES(o)†	100	1995	3	9.25	98.852	Bear Stearns Intl.	9.700
STERLING							
European Inv. Bk.†	200	2002	10	9.00	97.162	Salomon Bros. Intl.	9.451
GMAC(e)†	75	1995	3.5	10.625	100.985	Baring Bros.	10.237
Whitbread(f)†	50	2011	19.5	11.625	114.7593	BZW	9.877
Republic of Finland(k)†	150	1998	6.5	10.375	102.50	Baring Bros.	9.803
Nat.& Provincial B.S.†	150	1997	5	10	100.80	J.P. Morgan Secs.	9.790
ECUs							
BCP Bk.& Tst.Co.(g)#†	140	2002	10	8.75	100	UBS Phil.& Drew	8.750
AB Spintab(l)†	50	1999	7	9	100	IBJ Intl.	9.000
CANADIAN DOLLARS							
Banque Nat.de Paris†	125	1995	3.5	8.75	100.875	Scotiamcleod	8.408
Deut.Bk.Fin.Neth.Ant.(m)†	60	1996	4.5	9.375	101.17	CIBCM	9.015
YEN							
NKK Corp.†	30bn	1997	5.33	5.90	101.60	Nomura Intl.	5.536
NKK Corp.(h)†	30bn	1997	5.25	4.50	101.75	Daiwa Europe	4.120
Nissan Cap. of America(i)‡†	15bn	1996	3.833	(i)	100.25	Daiwa Europe	-
Furukawa Co.(j)†	10bn	1996	4.25	5	101.55	Yamaichi Intl(Eur)	4.686
FRENCH FRANCS							
Caisse Auto.de Refinance†	2.5bn	2012	20	9	97.75	Paribas Cap Mkts.	9.251
Credit Local de France(p)†	500	1999	7.5	9.25	101.12	CCF	9.020
D-MARKS							
Parco Co.(a)#†	100	1996	4	5.125	100	Daiwa Europe (Dtsch)	5.125
LIRE							
Cred.Suisse Fin.Gib.†	200bn	1997	5	11.625	101.70	Credito Italiano	11.163
GUILDERS							
Fiat Fin.& Trade†	250	1997	5	8.875	100.80	ABN Amro	8.646
SWISS FRANCS							
Nihon Nohyaku Co.(d)♦†	60	1996	-	4	100	Coutts & Co AG	4.000
Kobe Elec.Rail.Co(n)★★♦†	90	1996	-	4	100	Bca Dla Svizzera Ital.	4.000
General Electric Corp†	150	1998	-	7	102.00	Bq. Paribas Suisse	6.421
ESCUDOS							
European Inv. Bk.(n)†	15bn	1999	7	10.4	101.125	Deut.Bk.de Invest.	10.168
LUXEMBOURG FRANCS							
LIV Intl. Fin.★★†	300	1997	5	9.125	102.25	KBL	8.553
CBR Asset Man.†	480	2000	8	9	101.70	BGL	8.698
Bacob Overseas★★†	300	1997	5	9	101.75	Bacob Bk	8.555
Tractebel†	1bn	2002	10	8.875	102.45	Kredietbank Intl.	8.502

★★Private placement. §Convertible. #With equity warrants. ‡Floating rate note. ♦Variable rate note. †Final terms. a) Exercise price fixed at 2.50%. Non-callable. b) Exercise price fixed at 2.56%. Non-callable. c) Exercise price fixed at 2.60%, non-callable. d) Exercise price fixed at 2.60%. Non-callable. e) Full name of borrower: General Motors Acceptance Corp. Non-callable. f) Debenture stock fungible with existing £130m issue coupon payable semi-annually. g) Callable from 21/05/97 at par. Coupon payable semi-annually. Conversion premium fixed at 15.45%. h) Coupon pays 4.5pc for first three months then 6pc thereafter. i) Coupon pays 20bp over 3-month Libor. Non-callable. j) Coupon pays 5pc for first 3 months then 6pc thereafter. k) Fungible with existing £200m deal. Total fees undisclosed. Non-callable. l) Fees undisclosed Non-callable. m) Fungible with existing C$350m deal. Fees undisclosed. n) Callable at par in the fifth year only. o) Full name of borrower: Banco Nacional de Desenvolvimento Economico e Social. Coupon payable semi-annually. Non-callable. p) Deal becomes fungible with existing FFr2.5bn deal 40 days after payment date. Note: yields calculated on ISMA basis.

Anthony Harris

What the charts don't reveal

Charts do tell us something; but they can't tell us what that something is. This, at any rate, is my frustrating conclusion from trying to prepare myself mentally for a meeting with the whole fraternity last week. (Or should it be sorority? or mystery? The language is short of politically correct collective nouns.) If what they do works, why?

The best evidence that it works is solidly pragmatic: it is attracting academic interest. Baffled by the refusal of prices to behave rationally, the financial market group at the London School of Economics has been experimenting with chart analysis. This effort is rather in the spirit in which doctors have tested folk remedies. They have often found drugs which work – aspirin is only the most important of many – and then spent up to a century finding out how (aspirin again).

This academic work has already had some success; it has shown, for example, that talk of support levels and resistance levels, which makes no economic sense at all, does refer to something which actually exists in the markets. But that is something which every trader already knows. The greater mystery is to explain when and why markets which overshoot suddenly develop vertigo, or recover their confidence.

The actual overshooting process has already generated a large literature in economics, which consists largely of tautologies. The difficulty is to model a form of behaviour which swings between mass hysteria and returning commonsense. These turning points are at bottom what chartists claim to be able to predict (but not to explain); but my own experiment last week, collecting one-month forecasts of the Nikkei index, was less than confidence-inspiring. Forecasts ranged from 8,000 to 19,000. On this showing, chartism isn't a science, in spite of calling itself technical analysis; more a form of impressionist art.

In spite of this, chart analysis is a growth industry. Just about all the blue-blooded houses in the City now employ chartists to predict exchange rates (no doubt since apparently rational approaches hardly work at all); and more and more are charting equities and commodities, and especially derivatives. Indeed, some practitioners now predict not what will happen in the markets, but what rival chartists are going to predict.

This tail-chasing process is suggestive; for charts are sketches of market psychology in action, and if that psychology is itself chartist, meta-chartism makes sense. In the end, though, it should be self-defeating, like trying to invest the whole market in index-following funds: either way, prices would have no connecting link either with reality or with past prices. It is saved from this danger by the fact that while index-following is precise, chart analysis isn't. Indexation only works because it is not too widespread, chart analysis because it doesn't work too well.

You may see now why trying to think about chartism is such a dizzying business; you keep circling round the central mystery, without getting any nearer. What is it that the analysts are observing? Simply to say that it is market psychology gets us no further; what does it tell us about that psychology?

One metaphor which appeals is that of a random walk within limits, like a drunk staggering up a road; the observer can see the drunk, but not the road. The drunk staggers, sees the ditch, and staggers the other way. A chartist tracing his path, tells you where the ditches are; which would be easy, except that the road itself twists. The chartist art is to distinguish a random lurch from a frightened stagger. If this works, the challenge to economists is to explain how and why behaviour changes near the ditches.

Or try sheep-dog trials. The sheep dash hither and yon in a rather hysterical way. The good chartist collie seems able to read their minds; but he lacks the language to tell us how he knows, and we could not understand him if he tried. And that, perhaps, is how the trading houses think. They are all buying dogs because they know that their clients are sheep. Dear me.

UK GILTS

Calm reaction to rate cut signals

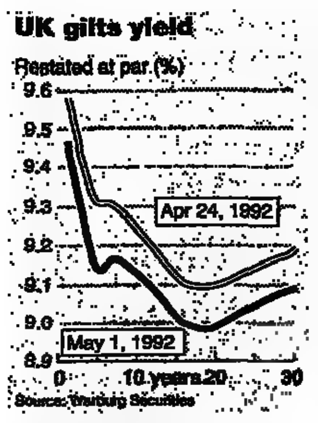
INDICATIONS that a UK base rate cut is likely later today were received with equanimity by the gilt-edged securities market at the end of last week.

The reduction by up to half a percentage point was signalled by Bank of England money-market operations and by the announcement on Friday of a £800m tranche of short-dated gilts, available for trading from today.

Given the pricing of these bonds, they are unlikely to find buyers unless the Bank cuts its short-term dealing rates, an action which would be followed by a cut in bank base rates.

Signs of an imminent cut in borrowing rates, now at 10.5 per cent, might have been expected to lead to a softening in prices for long-dated gilts, on the grounds that it indicates a relaxing in monetary policy.

But with the economy still becalmed there seems little risk of any significant inflationary surge. Also, with the pound anchored in the European exchange rate mechanism (ERM) the chances of prices and wages moving up substantially over the next 18 months appear small.



The hints of the first base rate cut since September came at the end of a week in which gilts continued their solid performance since the election.

Yields dropped by about one tenth of a percentage point along the yield curve, with a corresponding rise in prices. The 10 per cent Treasury bond payable in 1994 moved up $\frac{3}{16}$ to 101, while the longer dated 9 per cent Treasury gilt due in 2008 rose ¼ to 100¼.

The price rise occured in spite of the absorption by the market of £2.5bn worth of long-dated gilts – in the form of 8¾ per cent Treasury stock due in 2017 – in the Bank's biggest gilt auction yet. The auction sold on a yield of 9.02 per cent, with a cover of 1.82 times, indicating healthy demand both from overseas and domestic institutions.

With the successful auction, the Bank has found buyers for some £8.5bn worth of gilts in the first month of the 1992-1993 financial year. That is nearly a third of the £30bn total of gilts issues which it is likely to have to sell during the year, to fund the rising public borrowing requirement.

The pace of funding is being continued with the £800m tranche of 8¾ per cent Treasury bonds maturing in 1997, priced at 8.98.25 and with a gross redemption yield of 9.18 per cent. Also available from the Bank today is £200m of 2½ per cent index linked stock payable in 2013, at a price of 109.04.

The attractiveness of gilts to many investors since the election – in the past month 10-year yields have fallen by nearly 1 percentage point to just over 9 per cent – has been partly due to a reappraisal of sterling securities by overseas institutions. It has its roots partly in a stronger sterling.

But not all of the extra demand for gilts from non-UK financial groups was triggered by the election result. In March – a poor month for gilts generally in which yields increased sharply – overseas institutions bought £844m worth of the securities, according to Bank figures.

Including purchases in February, that brought overseas buying of gilts in the two months to £1.7bn – the largest two-month total since gilt funding restarted last year. But in March non-bank UK investors were much less enthusiastic. They sold £413m of the bonds, leaving the net purchases of gilts in the month at a low £447m.

Peter Marsh

US MONEY AND CREDIT

Torpid times look likely to continue

THESE are torpid times for the US bond markets. Last week's flow of economic news left the strength of the economic recovery as debatable as ever, and the yield on 30-year long bond virtually unchanged at 8.00 per cent. It is scenario which many analysts believe will continue for a while yet.

"The weight of the evidence still points to a gradual, rather than dramatic pick-up in the pace of economic growth," says Salomon Brothers. "That backdrop also should keep Federal Reserve officials open to the possibility of further easing, because money growth remains weak, while the trend in overall credit is mixed at best."

"The observation that the first quarter saw the strongest quarterly performance of the US economy since the first quarter of 1989 tells you more about the weakness of the last three years than it does about the momentum of the economy in early 1992," suggest analysts at James Capel.

Last week, support for a relatively glum assessment of the speed of economic recovery came from a steady stream of statistics. First, on Tuesday, there was the gross domestic product figure which, indeed, showed a first-quarter increase of 2 per cent.

As the Capel analysts noted, this was the biggest three-month rise for three years. Nevertheless, bond markets gave a sigh of relief.

Mr Alan Greenspan, the Federal Reserve Board chairman had already projected growth of that order, and some pundits had argued that the mild winter weather had influenced first-quarter performance.

Moreover, for the early stages of a recovery, this is seen as a fairly weak figure. The markets had certainly feared that the number would be higher. Had that been the case, inflationary fears could have been sparked.

The housing figures then added hugely to the market's peace of mind. New home sales posted a 14.8 per cent decline in March – the steepest monthly drop in 10 years. For many pundits, this was a clear signal that the housing sector's revival had stalled.

Two days later, jobs figures disseminated further calm. The initial unemployment claims report showed an unchanged figure – at just over 400,000 – for the week ended April 18. And neither the leading indicators nor the manufacturers' orders figures did anything to upset the picture.

The former rose by 0.2 per cent, which represented a slowdown from the very strong trend seen earlier in the year, while manufacturers' orders increased by 1.6 per cent.

Finally, the National Association of Purchasing Manufacturers' index rolled out at 51.3 per cent in April – sharply down on the February and March figures.

All this presents a relatively stable background for this week's quarterly refunding operations. The government announced last week that it will sell $36bn-worth of new securities.

Perhaps the only modest surprise was the Treasury's decision to reopen the 8 per cent bond issue, maturing in 2021 – the first time since 1983 the authorities have reopened a bond issue for the second time.

This week, attention is likely is focus on the unemployment figures, due out on Friday. Here, it is reckoned that the unemployment rate will show little change – easing to around 7.1 per cent at most, compared with 7.3 per cent in March. And, if so, that is the sort of borderline improvement which will keep bond markets on an even keel.

Nikki Tait

EUROPEAN GOVERNMENT BONDS

Low-yielding D-Mark bloc falls out of favour

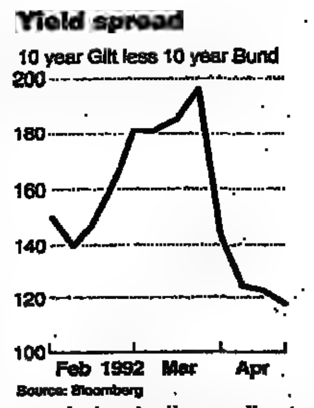
PERFORMANCE figures for April show that European government bond markets experienced sharp reversals of fortune during the month.

In particular, the low-yielding markets clustered around Germany – known as the "D-Mark bloc" – fell out of favour, while high-yielding markets continued to rise against expectations.

At the turn of the year, portfolio investors were starting to commit funds to German bonds, often switching out of higher-yielding markets which were seen as due for a correction. Many believed German interest rates would be cut in the first quarter to stimulate a flagging economy, with inflationary pressures firmly squeezed out and bond prices rising.

There have been disappointments in both respects. Although consumer price data released last week showed inflation in western Germany slowing to a year-on-year rate of 4.5 per cent in April, from 4.8 per cent in March, money supply growth remains stubbornly high. In addition, the current round of disputes has renewed fears that wage inflation will spread through the economy. The Bundesbank now looks unlikely to ease monetary policy until the second half of the year.

As a result, the German market returned a miserly 0.44 per cent during April, according to the J.P. Morgan government bond index monitor – the worst performing bond market within the European Community. The rest of the D-Mark bloc managed to out-perform Germany, with yield spreads narrowing by 10-20 basis points, but were held back.



In contrast, high yielding European markets showed the best returns on the month. The best performing European markets were the UK (with a total return of 4.5 per cent), Portuguese (2.19 per cent), and Spanish (1.34 per cent) markets.

However, further gains by the high-yielding markets will be hard-won. The price rises last month were due in most cases to one-off boosts.

Indeed, prices have risen so swiftly in some higher-yielding European markets that institutions are again wary of committing new funds.

The UK gilts market is a prime example of this. The yield spread between the gilts and German bund market at the benchmark 10-year maturity narrowed from nearly 200 basis points to less than 120 basis points during April. Although the government managed to sell £2.5bn new bonds last week, institutional investors were questioning whether gilts offer "relative value" at current levels.

Looking ahead, the progress of high yielding bond markets depends on the ability of governments to stem inflation. So far the progress has been good and bond prices have risen in union.

Equally, the UK government's determination to bring inflation down will have to remain credible if bond prices are to rise further. Italy and Spain are in a similar position.

In contrast, there is little doubt about the determination of the German authorities, in the shape of the fiercely independent Bundesbank, to bring inflation under control. Consistently high interest rates mean that bond market investors have not seen the early gains they expected – April was a vivid illustration of this – but still hold the promise of big gains ahead.

Simon London

Sweden and Finland turn in declines

OUTSIDE the EC, the government bond markets in Sweden and Finland have suffered from political uncertainty and economic upheaval, writes Sara Webb in Stockholm.

The Finnish government market fell 1.7 per cent in April, following the resignation of the Central Bank governor and an ensuing outflow of capital.

The financial crisis in Finland pushed Sweden's bond market down 0.1 per cent in April. In addition, political worries last week upset the Swedish market and pushed up bond yields.

Sweden's New Democracy Party made a name for itself campaigning for cheaper alcohol, abolition of traffic wardens, and lower taxes in the 1991 general election.

Last week, it joined forces with the socialist bloc in Parliament and stopped the Centre-Right government from pushing through the abolition of part-time pensions.

The news that the government had failed to win a majority sparked a minor sell-off in Swedish government bonds on Wednesday. Five-year bond yields rose from 10.04 per cent to 10.12 per cent on the day.

But while Swedish investors reacted badly to the news, international investors appear less concerned. They hope to benefit from a closer association between the Swedish krona and EMS currencies.

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	106¼		[illegible]
ABN 9 1/8 94	200	105		6.63
AETNA LIFE & CAS 7 3/4 16	200	102¼	+¼	7.54
ALBERTA PROVINCE 8 5/8 96	750	105	[illegible]	7.28
ALBERTA PROVINCE 9 3/8 95	[illegible]	107¼	[illegible]	[illegible]
AMERICAN EXPRESS ZERO 00	850	48	[illegible]	[illegible]
AMERICAN GENERAL 9 3/4 95	100	105¼	[illegible]	[illegible]
AMERICAN INTL 0 04	750	[illegible]		[illegible]
ASIAN DEV BANK 0 04	1000	[illegible]		[illegible]
ASIAN DEV BANK 8 96	100	102½	+¼	7.42
AUSTRALIA 11 95	200	110½		[illegible]
AUSTRIA 7 3/4 97	200	101½		[illegible]
AUSTRIA 8 1/2 00	400	104		[illegible]
AUSTRIA 9 1/4 96	100	107¼	[illegible]	[illegible]
BANK OF TOKYO 8 3/8 96	[illegible]	101½	[illegible]	[illegible]
BARCLAYS JERSEY 10 5/8 95	[illegible]	110½		[illegible]
BAYER USA 8 1/4 96	150	102½	[illegible]	[illegible]
BELGIUM 8 97	300	103	[illegible]	[illegible]
BELGIUM 8 3/4 96	400	105		[illegible]
BELGIUM 9 2 10	[illegible]	107½	[illegible]	[illegible]
BELGIUM 9 5/8 98	[illegible]	108¼	[illegible]	7.71
BFCE 7 3/4 97	150	101¼		[illegible]
BFCE 9 1/4 95	100	107¼	+¼	6.74
BNP 8 5/8 94	[illegible]	[illegible]		[illegible]
BOOTS 9 97	175	106¼	[illegible]	[illegible]
[illegible]				

[illegible]

THE WEEK AHEAD

ECONOMICS

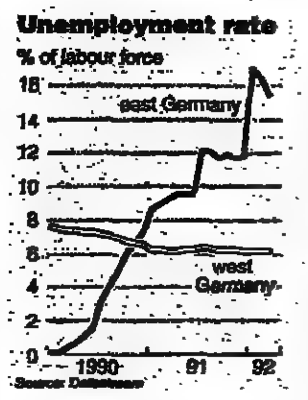
German figures focus attention

IMPORTANT economic data from Germany this week will ensure that the country, already troubled by industrial activity, continues to be the focus of attention. The data are expected to confirm an economy slowing but not in recession.

Most analysts forecast a fall in industrial production for last March. Provisional figures for February's industrial production showed a monthly rise of 1.2 per cent after January's sharp 5.2 per cent rise. According to Ruth Lea, chief economist at Mitsubishi Bank, both figures were distorted by mild weather factors. "It is equally clear that there are still no signs of serious recession in west Germany," she says.

Employment data are also due this week. East Germany's labour market remains grim. In March unemployment was 15.5 per cent from 9.2 per cent a year ago. However, the number of unemployed is expected to have stayed steady in April. West German unemployment appears to be rising, but modestly.

In the US, employment data for April is expected to confirm the anaemic pace of economic growth. While unemployment claims have fallen since the



beginning of the year, the drop has not been of a scale normally associated with a typical, healthy recovery.

Growth in M3, the target measure of money supply, in France is expected to have risen further in March following February's increase. In February M3 was 3.5 per cent up on a year ago and the median forecast for March is a rise of 0.5 per cent. The target range for M3 growth in 1992 is 4-6 per cent.

Other economic data and events this week, with, in brackets, the median of forecasts from MMS International, a financial information company, include:

Today: US, preliminary figures for first-quarter productivity, auto sales April 21-30 (6.2m), presidential primaries in District of Columbia and North Carolina; UK, April official reserves (£50m), state opening of parliament; Canada, April foreign reserves; Japan, children's day holiday – all markets closed.

Tomorrow: US, Federal Reserve releases Tan Book for May 19 federal open markets committee, March wholesale trade; Japan, March trade balance – IMF basis, March current account, March foreign bond investment; Canada, April help wanted index (63).

Thursday: Germany, regular Bundesbank council meeting, G7 economic ministers meet with CIS and eastern counterparts for East-West conference, April unemployment – West (up 10,000), March employment – West (up 5,000), April vacancies – West (up 3,000), April unemployment – East, April short-time work – East; US, March consumer credit (unchanged), M1 (up $0.2bn), M2 (up $1.8bn), M3 (up $9.5bn), for week ended April 27, initial claims for week ended April 25 (410,000); Sweden, April unemployment rate (4.4 per cent); Switzerland, April federal consumer prices index (up 4.5 per cent on year); Australia, March unemployment rate (10.6 per cent), April employment (up 10,000); Canada, February wages and salaries (flat).

Friday: US, April non-farm payrolls (up 75,000), April manufacturing payrolls (up 10,000), April unemployment rate (7.3 per cent), April hourly earnings (up 0.3 per cent), April average work week; April employment growth (up 0.1 per cent), April unemployment rate (10.9 per cent), April housing starts.

During the week: Germany, March industrial production (down 1.0 per cent), March manufacturing output (up 0.3 per cent), March manufacturing orders (down 0.3 per cent), March trade balance (DM2.5bn), March current account (-DM1.5bn); Switzerland, April Zurich consumer prices index; Italy, April final consumer prices index (5.6 per cent); Denmark, March unemployment rate (10.9 per cent), March trade balance excluding ships (DKr2.7bn); Holland, April consumer prices index (up 0.3 per cent on month, up 4.3 per cent on year); France, March M3 (up 0.5 per cent).

Emma Tucker

DIVIDEND & INTEREST PAYMENTS

■ YESTERDAY
Allied Leisure 1.5p
Anglo American Indl. Corp. 5⅝% 1st Prf. R0.05625
BASF DM12
Billam (J.) 2.64p
Fife Indmar 3.9p
Kymmene Corp. Fmk0.9
New Zealand 11¼% 2008 £281.25
■ TODAY
Ansbacher (Henry) 0.01p
Braime (T.F. & J.H.) 6.5p
Bryant 1.4p
Clarke (T.) 5.282p
Credit National 13½% Gtd. Nts. 1993 £67.5
Ernest Green & Partners 2.75p
Lloyds Abbey Life 11p
MAI 1.4p
Macro 4 6.14p
Reuters Hldgs. 12.3p
Sirdar 1.65p
West Hampshire Water 9 4.9%
Max. 24.5p
Do. 3½% £1.75
■ TOMORROW
Courtaulds 4.2% Red. 2nd Prf. 2.1p
Do. 6½% Uns. Ln. 1994/96 £3.25
Do. 7¼% Uns. Ln. 1994/96 £3.875
Delta 10¾% Deb. 1995/99 £5.375
Gresham Telecomputing 0.22p
ISS-Intl. Serv. Syst. B DKr10
Lloyds Bank 11.3p
MTL Instruments 1.9
Mediterranean Fund. $0.8
Minorco $0.18
Plaxton 2p
Whitbread 7¼% Uns. Ln. 1995/99 £3.625
■ THURSDAY MAY 7
American Tst. 3.3p
BBA 10% Deb. 1989/94 £5
Bristol & West Bldg. Soc. 13⅞% Perm. Int. Bearing £68.875
Do. Fltg. Rate Nts. 1994 £281.27
British Petroleum 4.2p
Conversion 9¾% 2003 £4.875
Domestic & General 6p
Everest Foods 2.2p
FII 5p
Inv. Tst. of Guernsey 1.44p
I & S Optimum Tst. 1.5p
Latin American Inv. Tst. $0.005
Paterson Zochonis 2.25p
Do. A NV 2.25p
RPS 0.6p
Servomex 3.9p
Singer & Friedlander 1.6p
Tay Homes 1.2p
Treasury 10½% Cnv. 1992 £5.25
■ FRIDAY MAY 8
Addison Consultancy 0.15p
Admiral 3.3p
Agricultural Mortgage Corp. 11¼% Nts. 1995 5.6875pc.
American Express $0.25
Barclays O'seas Inv. BV Jnr. Gtd. Und. Fltg. Rate Nts. $137.45
Burford Hldgs. 0.5p
Christiania Bank og Kreditkasse Prim. Cap. Und. Fltg. Rate Nts. $271.74
Eleco Hldgs. 2.3p
Hall Engineering Hldgs. 5.34p
House of Lerose 7.3p
Hydro-Quebec Fltg. Rate Nts. Sers. FV 2005 $254.4
Isotron 1.37p
Lex Service 6p
Lloyd Thompson 1.65p
Bernard Matthews 2.5p
Nottingham Corp. Gas Annuities £1.625
Pall Corp. $0.09
Rentokil 2.9p
Schroders 13p
Do. NV 13p
Second Market Inv. 1.5p
Sterling Publishing 0.5p
Trace Computers 0.55p
Transport Development 6.5p
TV-am 10p
Vektra Corp. R0.07
Vickers 2.3p
Wimpey (George) 6.5p
■ SATURDAY MAY 9
P & P 3p
Sainsbury (J.) 8½% Bds. 1995 £425

RESULTS DUE

Trafalgar House, the engineering, construction and property group, warned last December that its interim dividend was likely to be cut. Analysts are expecting a halved figure of 4.4p when it announces results tomorrow.

Pre-tax profit, which fell sharply in the first half of last year to £51.5m, is thought to have improved to between £53m and £55m.

Davy Corporation, which Trafalgar House acquired last June for an initial £60m, could have contributed the best part of £10m to operating profits in engineering and construction. Progress in that division is again expected to have offset declines in property and in shipping and hotels.

The Ocean Emerald oil rig, source of Davy's trials, has been completed and Trafalgar House is hanging on to it until it is paid.

British Petroleum is still suffering from lower oil prices. Last week's rise in the oil market will be too late to affect its first-quarter results, which will be reported on Thursday. It is estimated that the group's pre-tax profit will drop to about £70m (excluding stock losses and gains) from a level of £521m in the same period last year.

Tate & Lyle, the sweeteners group, is reporting results for the six months to end March on Wednesday. Analysts expect a slight slippage from the £94.7m reported last time.

Falling prices for high fructose corn syrup in the US will have affected profits from Staley, though there will be a first-time contribution from Bundaberg Sugar, the Australian business bought in June.

Thursday sees full-year results from **Sears**, the shoe shops to mail order retailer, which appointed a new chief executive in February.

After interim profits fell from £62.4m to £4.6m, weighed down by heavy exceptional costs relating to restructuring and disposals, profits for the year to end-January will be well down on the previous year's £146.9m. Analysts are looking for profits before exceptional items of around £92m to £93m, but this could come down to about £50m post-exceptionals.

The final dividend is expected to be maintained.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Admiral, Admiral House, 193-199, London Road, Camberley, Surrey, 11.45
Candover Invs., Howard Hotel, Temple Place, W.C., 12.00
Delaney, Strathallan Thistle Hotel, Hagley Road, Edgbaston, Birmingham, 12.30
Fleming Mercantile Inv. Trust, 25, Copthall Avenue, E.C., 12.00
Garton Eng., Park Hall Hotel, Park Drive, Goldthorn Park, Wolverhampton, 12.00
Midland Bank, Merchant Taylors' Hall, 30, Threadneedle Street, E.C., 2.30
Northern Engineering, NEI House, Regent Centre, Newcastle upon Tyne, 11.00
Singer & Friedlander, 21, New Street, Bishopsgate, 12.30
Sumit, Hilgate House, 26, Old Bailey, E.C., 2.30
Transfer Technology, Royal National Hotel, Bedford Way, W.C., 12.00
Wates City of London, City Place Hotel, 55, Basinghall Street, E.C., 10.30
BOARD MEETINGS:
Finals:
Betacom
CRH
German Smaller Co's. Inv.

■ TOMORROW
COMPANY MEETINGS:
Brabant Resources, Rose & Crown Hotel, Tonbridge, Kent, 11.00
Cadbury Schweppes, Royal Lancaster Hotel, Lancaster Terrace, W., 12.00
Edmond Holdings, Rothley Court Hotel, West Hill Lane, Rothley, 12.00
Fired Earth Tiles, Hopcrofts Holt Hotel, Steeple Aston, Oxfordshire, 12.00
Geest, National Farmers Union, Springfield, Spalding, 12.00
Instem, The Savoy, The Strand, W.C., 11.00
Latin American Inv. Trust, Exchange House, Primrose Street, E.C., 12.15
Lex Service, Lex House, 17, Connaught Place, W., 2.30
Nichols (J.N.) (Vimto), Ledson Road, Wythenshawe, Manchester, 11.00
Pittard Garnar, Sherborne Road, Yeovil, Somerset, 12.00
Plaxton, The Brewery, Chiswell Street, E.C., 12.00
Ransomes, Post House Hotel, London Road, Ipswich, 3.00
Schroders, 120, Cheapside, E.C., 12.00
Sterling Trust, Chartered Insurance Institute, 20, Aldermanbury, E.C., 11.00
Trans World Comms., Portland Thistle Hotel, Portland Street, Piccadilly Gardens, Manchester, 11.30
Worcester, Digits, Worcester, 1.00
BOARD MEETINGS:
Finals
Beattie (James)
Cresta
Forward Group
Silentnight
Interims:
Morgan Grenfell Eqty. Inc.
Morland
New Frontiers Dev.
Overseas Inv. Trust
Royal Bank of Scotland
Trafalgar House

■ THURSDAY MAY 7
COMPANY MEETINGS
Atlas Converting Equipment, 4, Broadgate, E.C., 12.30
Bernard Matthews, Airport Ambassador Hotel, Norwich Airport, Cromer Road, Norwich, 12.00
British Mohair, Midland Mills, Valley Road, Bradford, 11.30
Burford, London Press Centre, 76, Shoe Lane, E.C., 10.45
Claremont Garments, London Hilton Hotel, 22, Park Lane, W., 11.00
Clyde Petroleum, The Brewery, Chiswell Street, E.C., 12.00
Coats Viyella, Le Meridien, 21, Piccadilly, W., 2.30
Global Group, 15, Bedford Street, Covent Garden, W.C., 10.30
Hickson Intl., Wheldon Road, Castleford, West Yorkshire, 12.00
Invergordon Distillers, Merchants Hall, 22, Hanover Street, Edinburgh, 11.45
Lilleshall, Chequers Hotel, Oxford Street, Newbury, Berkshire, 11.30
Linread, 75, Harborne Road, Birmingham, 12.00
Mowat, Exchange House, Primrose Street, Broadgate, E.C., 12.00
Refuge, Refuge House, Alderley Road, Wilmslow, 12.00
T & N, Ramada Renaissance Hotel, Blackfriars Street, Deansgate, Manchester, 12.00
Vinten, The Brewery, Chiswell Street, E.C., 12.00
BOARD MEETINGS:
Finals:
Abtrust New Thai Inv. Tst.
BMSS
Highcroft Inv. Trust
Hi-Tec Sports
Sears
Interims
Bellway
Dickie (James)
Euromoney Publications
Leveraged Opportunity
PWS Hldgs.

■ FRIDAY MAY 8
COMPANY MEETINGS
Boddington, Midland Hotel, Peter Street, Manchester, 11.45
Britannic Assurance, 53-57, Wake Green Road, Moseley, Birmingham, 12.00
British Dredging, Royal Hotel, St Mary Street, Cardiff, 12.00
Burmah Castrol, Balmoral Hotel, Edinburgh, 11.30
Capita, 100, Wood Street, E.C., 10.00
Church, Northampton Moat House, Silver Street, Northampton, 12.30
Emess, 14, Warren Street, W., 11.00
IMI, Birmingham Metropole Hotel, NEC, Birmingham, 12.00
Low & Bonar, Bonar House, Faraday Street, Dundee, 12.00
Oliver, Grove Way, Castle Acres, Narborough, Leicester, 12.00
Peninsular & Oriental Steam Nav., Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 11.00
P & P, Todd Hall Road, Carrs Industrial Estate, Haslingden, 10.30
Rugby, Crown House, Rugby, 12.30
Spandex, 1600, Park Avenue, Aztec West, Almondsbury, Bristol, 10.00
Surrey, The Registry, Royal Mint Court, E.C., 11.30
BOARD MEETINGS:
Finals:
Radiotrust
Worth Inv. Trust

Company meetings are annual general meetings unless stated otherwise.

WORLD STOCK MARKETS

AUSTRIA — FRANCE (continued) — GERMANY (continued) — NETHERLANDS — SWEDEN (continued) — BELGIUM/LUXEMBOURG — SWITZERLAND — DENMARK — NORWAY — ITALY — SPAIN — SOUTH AFRICA — FINLAND — GERMANY — FRANCE — SWEDEN — JAPAN — AUSTRALIA — HONG KONG — MALAYSIA — SINGAPORE — CANADA: TORONTO 4:00 pm prices May 4 — MONTREAL 4:00 pm prices May 4

[illegible]

INDICES

NEW YORK

DOW JONES	May 4	May 1	Apr 30	Apr 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	3378.13	3336.09	3359.12	3333.18	3378.13 (4/5)	3172.41 (2/1)	3378.13 (4/5/92)	41.22 (2/7/32)
Home Bonds	99.36	99.25	99.19	99.18	99.81 (6/2)	98.41 (20/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport.	1380.79	1359.49	1372.57	1367.55	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.19	210.75	211.07	208.50	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

‡Day's High 3394.68 (3375.67) Low 3340.79 (3316.64)

STANDARD AND POOR'S	May 4	May 1	Apr 30	Apr 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite †	416.91	412.53	414.95	412.02	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	494.19	489.11	492.36	488.05	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.02	34.34	34.42	34.60	35.14 (15/1)	32.40 (8/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	229.42	227.20	228.30	226.58	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	391.61	389.78	390.61	[illegible]	418.99 (12/2)	380.98 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	583.54	578.14	578.68	569.94	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 1	Apr 24	Apr 10	year ago (approx.)
Dow Industrial Div. Yield	2.79	2.80	2.85	3.44
	Apr 29	Apr 22	Apr 15	year ago (approx.)
S & P Industrial div. yield	2.62	2.63	2.57	2.74
S & P Ind. P/E ratio	28.96	28.80	29.46	18.70

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Santchi	2,825,500	1⅞	---
Glaxo	2,775,200	26⅝	+ 1
Boeing	2,381,000	43⅛	- ⅛
IBM	2,340,000	92⅜	+ 1¼
Ford Motor	1,722,100	45	+ ¾
Limited	1,564,200	23½	+ ⅝
Pepsico	1,464,400	36½	+ ⅝
Artra	1,299,900	8⅛	+ ⅛
Waste Man	1,272,000	38⅜	+ 1⅛
Chemical Bkg Co	1,265,100	37⅛	+ 1⅛

TRADING ACTIVITY

† Volume (Millions)	May 4	May 1	Apr 30
New York SE	174.520	177.360	223.160
Amex	147.294	13.988	13.453
NASDAQ	(a)	147.294	180.120
NYSE			
Issues Traded	2,235	2,241	2,230
Rises	1,160	[illegible]	1,190
Falls	585	909	559
Unchanged	490	558	481
New Highs	76	62	66
New Lows	7	13	27

CANADA

TORONTO	May 4	May 1	Apr 30	Apr 29	1992 HIGH	1992 LOW
Metals & Minerals	2994.56	3002.35	3015.72	3011.14	3238.87 (16/1)	2828.26 (8/4)
Composite	3363.98	3357.10	3365.60	3357.08	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1755.35	1756.90	1759.23	1763.49	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common—50, Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

AUSTRALIA — AUSTRIA — BELGIUM — DENMARK — FINLAND — FRANCE — GERMANY — HONG KONG — IRELAND — ITALY — JAPAN — MALAYSIA — NETHERLANDS — NORWAY — PHILIPPINES — SINGAPORE — SOUTH AFRICA — SOUTH KOREA** — SPAIN — SWEDEN — SWITZERLAND — TAIWAN** — THAILAND — WORLD

[illegible]

**Saturday May 2: Taiwan Weighted Price [illegible]; Korea Comp Ex. [illegible]
a Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 1 May 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
TEAC	6.1m	1,080	+60	Morinaga	2.7m	784	+14
Chiyoda Corp	4.6m	1,570	+80	Mitsui Osk	2.7m	389	+9
Okamoto Ind	3.8m	1,210	+40	Japan Storage	2.5m	851	+28
Canon Inc	2.8m	1,400	+10	Kanematsu Corp	2.5m	847	+21
Hitachi	2.6m	839	-11	Nissan Chem	2.2m	867	+22

WORLD STOCK MARKETS

AMERICA

US equities soar as urban violence wanes

Wall Street

US STOCKS soared to record levels yesterday as Wall Street reacted with relief to signs that urban violence appeared to be waning, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average was 42.04 higher at 3378.13, above its previous record close of 3,366.50 on April 16, but the volume of just under 175m shares was not enough to signify a meaningful rally.

Advancing issues led, declining by 1119 to 611. Among other market indices, the Standard & Poor's 500 gained 4.38 to 416.91 and the Nasdaq composite added 5.40 to 583.54. On Friday, the Dow fell 23.03 to 3336.09.

The main factor behind the gains appeared to be relief that the weekend had not brought the feared violence in New York and other large US cities.

Big board trading was dominated by blue chip stocks. IBM climbed $1¾ to $92¼, Ford Motor added $⅝ to $45 and Boeing fell $⅝ to $43¾.

A number of pharmaceutical company stocks saw active trading, including Glaxo's American depository receipts, up $1⅛ at $26⅝ and Bristol-Myers Squibb, $1⅞ higher at $76½. Pfizer, which agreed to sell its Coty cosmetics and fragrances business to Benckiser of Germany for $440m, rose $1¼ to $72⅞.

Stronger-than-expected first-quarter earnings from Bally Manufacturing, the casino-hotel and fitness centre owner, contributed to a 25 cents improvement in the issue to $5⅞. Bally turned in first-quarter profits from continuing operations of 8 cents a share against a loss of 33 cents a year earlier.

Lincoln National, the seventh biggest publicly-held US insurance holding company, rose $1⅞ to $54⅞ following first-quarter earnings of $101.3m or $2.19 a share against $39.3m or 89 cents in the 1991 first quarter. The improved profits came in spite of a decline in revenue to $1.92bn from $2.13bn.

Napa Valley Bancorp was one of the biggest losers on the American Stock Exchange. The issue tumbled $1⅞ to $9½ after the northern California-based bank said its board had ended talks with other financial institutions about a possible business combination.

In the insurance sector, General Re reversed its losses after plunging $8⅞ in two days. Shares in the biggest US reinsurance group closed $1⅞ higher at $80¼.

Other insurance stocks also rose, Aetna $⅝ to $42 and Travelers $½ to $20⅞. Cigna, which reported its first-quarter results after the close of trading, added $⅞ to $51⅞.

In the secondary market, technology stocks continued to lead trading. Seagate Technology firmed $⅝ to $16, Apple Computer rose $1¼ to $60½ and Microsoft added $¼ to $114.

Canada

TORONTO STOCK prices closed little changed, in light trading influenced by holidays in London and Tokyo.

According to preliminary figures, the 300 composite index gained 6.48 points to close at 3363.54. Advancing issues outnumbed declines 373 to 258.

Seven of 14 stock groups closed higher, led by conglomerates, up 0.7 per cent. The real estate sector had the day's biggest decline at 1.1 per cent.

SOUTH AFRICA

JOHANNESBURG was led higher by gold and platinum shares which defied weaker metal prices. The gold index gained 31 or 3 per cent to 1,048. Industrials advanced 55 to 4,368, while the overall index was 51 higher at 3,505.

EUROPE

Strikes wipe 3.9 per cent off Lufthansa

COMPUTER problems disrupted trading in Paris as the Continent returned from its long weekend, *writes Our Markets Staff.*

FRANKFURT showed its first sign of nerves about the public sector strikes. The DAX index fell 5.74 to 1,728.29 while the FAZ index lost 1.7 to 699.29. Turnover fell to DM3.8bn from DM5.1bn on Thursday.

Lufthansa dipped DM6 or 3.9 per cent to DM147.50 as strikes shut a number of Germany's airports. Unions plan to close Frankfurt today. The airline said that it could lose up to DM40m a day in lost revenue if all its aircraft were grounded.

Car stocks were weaker on news of a fall in new vehicle registrations. Volkswagen, which publishes its annual report tomorrow, lost DM1.50 to DM378.80.

Schering bucked the trend, gaining DM1.50 to DM819.50 on expectations of positive first quarter results today. Bayer rose DM1.80 to DM281.80 while BASF, after paying a DM12 dividend last Thursday, was down a net DM1.10 at DM239.90.

PARIS traded for only 2½ hours yesterday due to a technical problem. The CAC-40 index closed up 10.48 at 2,041.63, inspired by a firm start on Wall Street, in turnover of just 1.2bn.

Ciments Français was requoted yesterday after last week's suspension and vaulted FFr78 or 20.7 per cent to FFr455, following news last week that Italcementi would support the price at FFr470.

Other gainers included Eurotunnel, up FFr1.15 or 3.1 per cent at FFr38.70, and Elf FFr6 higher at FFr398. But Euro Disney lost FFr2.90 to FFr134.10.

MILAN was dragged down by Stet, Italcementi and the banking sector. The Comit index fell 6.67 or 1.3 per cent to 496.21 in turnover estimated at more than L100bn after last Thursday's L113bn.

Stet dropped L122 or 6 per cent to L1,899 with an estimated 10m shares traded, following news late last week that the state holding company Iri planned a large share and warrant placement. The fall brought the stock into line with Friday's closing price in London. Dealers said Iri defended the share price, via Banco di Roma.

Italcementi dropped another L200 or 1.3 per cent to L14,650 as investors continued to register their disapproval of a big rights issue to finance its purchase of a controlling stake in Ciments Français. The stock was also harmed by news that Consob planned an investigation into possible insider trading in Italcementi shares.

Fears of bad loans and a possible placement by Iri of savings shares in Banca Commerciale prompted a fall of L108 or 3.1 per cent to L3,325. Worries about higher property taxes forced insurers lower, with Generali down L390 at L29,500.

ZURICH's SMI index put on 27.6 or 1.46 per cent to 1,907.7.

Roche bearers gained SFr130 to SFr4,450 ahead of today's annual meeting while Nestlé bearers added SFr100 to SFr9,960 following last week's positive 1991 results. But Swissair bearers lost SFr20 to SFr742 after the airline said passenger numbers fell by 7 per cent in the first quarter.

AMSTERDAM extended last week's gains as the CBS Tendency index rose 0.8 to 129.9.

Elsevier was up Fl 3.60 or 3.1 per cent at Fl 118.40 on strong foreign buying. Philips rose 60 cents to Fl 39 ahead of tomorrow's first quarter results.

Hunter Douglas gained Fl 3 or 4 per cent to Fl 76.50 while Fokker rose Fl 1.30 to Fl 36.30 in spite of denying reports that it was in talks with British Aerospace.

STOCKHOLM saw Skandia's unrestricted shares rise SKr12 to SKr130 amid speculation that Norway's Uni Storebrand would sell its 28 per cent stake in Skandia, after the latter's takeover bid for Hafnia was rejected last week. The Affärsvärlden General index rose 4.0 to 985.5 in turnover of SKr549m.

OSLO saw Den norske Bank jump 17.7 per cent or NKr1.40 to NKr9.30 ahead of today's first quarter results. The all-share index was up 6.58 to 449.48.

● The Eurotrack 100 index was unavailable owing to the closure of the London Stock Exchange.

Small is beautiful in South Korea

The influence of foreign investors has been in second-tier stocks, says John Burton

Expectations that opening the stock market to foreign investment last January would revive South Korean equities after a long period of underperformance have been dented by a run of bad news in recent months.

"Things can't get any worse. The only direction the market can go is up," says one foreign securities analyst in assessing the performance of the Seoul stock market this year.

It remains to be seen, however, when the long predicted recovery will occur and whether it last. The composite index closed at 620.33 yesterday, 1.54 per cent higher than at the start of the year, compared with a 8.9 per cent rise in the Pacific Rim excluding Japan as shown in the FT-A World Indices.

Negative factors afflicting the market have included the government's setback in National Assembly elections in March, which increased political uncertainty. It also created doubts about the government's ability to solve the country's economic problems, which include high inflation, steep interest rates and a sizeable trade deficit.

The row between the government and Hyundai, Korea's second biggest business group, has provoked worries about the effect of the dispute on the economy and whether the feud signals a new state crackdown on the *chaebol*, the conglomerates that dominate industry.

But the influence of foreign investment in the Seoul market has been greater than that indicated by the market's index, which is heavily weighted towards large-capitalised shares. Foreign investors, primarily from the UK, concentrated on buying shares of small and medium companies with low price/earnings (p/e) ratios and good fundamentals, spurring interest among domestic investors.

The sub-index for medium-capitalised companies has risen by 35 per cent this year, and that for small-capitalised businesses by 50 per cent.

In a move to give more prominence to smaller companies, the Korean Stock Exchange announced last week that it would introduce a second index on May 1 that would average all share prices without giving weight to capitalisation. Based on this index, the market has risen by 30 per cent since the start of 1992.

Source: Datastream

Foreign net investment in the Seoul bourse, which amounts to $665m so far this year, has subsided after an initial rush of activity in January. One reason is that the foreign preference for investing in smaller companies meant that the 10 per cent ceiling imposed on foreign shareholdings was quickly reached. Foreign investors, meanwhile, have avoided buying blue-chip Korean companies because of their high p/e ratios and heavy debts.

There is speculation among foreign brokers that the government may raise the foreign ownership ceiling to 25 per cent this summer. "If that happens, foreign interest will be revived. The amount of overseas investment in the Korean market could reach $2.5bn this year," says Mr Duncan Ross, branch manager of Baring Securities.

The government is also simplifying investment procedures in response to foreign criticism. "Foreign investors viewed the initial process as too complicated, but things are now improving," says Mr Peter Thorn, the chief representative for W.I. Carr.

Rules that prevented foreign nominee companies or unit trust funds from participating in the market have been modified in recent weeks. But the imposition of a capital gains tax on investors from countries that have no double tax treaty with South Korea is still dampening interest from Germany, Japan and Hong Kong.

An improvement in the economy could set the stage for a market rally. Inflation appears to be slowing, while the trade deficit has narrowed in the first quarter of 1992. A slowdown in economic growth to 7 per cent this year from last year's 8.4 per cent should reduce borrowing demand, leading to lower interest rates.

But Mr Philip Smiley, Seoul branch manager of Jardine Fleming Securities warns that a market surge could be short-lived. "There is a big overhang of shares held by local institutions and their sale could depress any rally."

Previous upturns have run out of steam for this reason. If enough foreign investment is attracted to Seoul in the coming months, that may represent the crucial difference in sustaining a recovery.

ASIA PACIFIC

HK and Singapore attract buyers

INSTITUTIONAL buying was detected in several Pacific markets yesterday. Tokyo was closed for a public holiday and will remain shut today.

HONG KONG reached another record high as strong institutional buying pushed the Hang Seng index up by 129.57 or 2.4 per cent to 5,613.78. Turnover soared to HK$4.8bn from HK$3.6bn. Favourable political developments in China and a half-point cut in interest rates have helped to lift prices.

SINGAPORE rose on institutional buying and the Straits Times Industrial index jumped 2.3 per cent or 33.02 to 1,498.97. Volume rose to 97.1m shares from 78.7m on Thursday.

Malayan Credit, the target of a hostile takeover bid, rose 4 cents to S$2.22, but was still short of Cycle and Carriage's offer price of S$2.25.

KUALA LUMPUR also attracted institutional buying. The composite index gained 5.84 to 597.47 in volume of 34.9m shares against 39.6m.

Tobacco shares were sought following a rise in cigarette prices, with Rothmans gaining 80 cents to M$13.

AUSTRALIA lost early gains on news of a worse-than-expected March current account deficit. But dealers remained confident that the Reserve Bank would cut rates by one point to 6.5 per cent today. The All Ordinaries index ended 0.8 lower at 1,661.4 in turnover of A$165.1m.

NEW ZEALAND recovered from a poor opening to close slightly higher, buoyed up by good demand for leading stocks. The NZSE 40 index rose 6.94 to 1,467.54.

MANILA rose in reaction to last week's lifting of a 5 per cent import tax. The composite index rose 6.81 to 1,245.83 in combined turnover of 370.7m pesos from 301.1m pesos.

TAIWAN traded in a narrow range, as the weighted index rose 6.94 to 4,539.47, in turnover of T$17.3bn.

SIEMENS

Berlin and Munich, in May 1992

Notification about the compensation of former shareholders of Siemens Nixdorf Informationssysteme AG, Paderborn

Securities code numbers: 775 610, 775 613 and 775 614

On April 15, 1992, the integration of Siemens Nixdorf Informationssyteme AG, Paderborn, (SNI) into Siemens AG, Berlin and Munich, was entered into the commercial register. As a consequence, all shares in Siemens Nixdorf Informationssyteme AG held by its former shareholders devolved on Siemens AG by law. *Until their submission to Siemens AG, the respective share certificates represent the entitlement of the former SNI shareholders to a compensation.*

Siemens AG undertook to grant a compensation to the former shareholders of SNI

one common share	of Siemens AG of a par value of DM 50.- (securities code number 723 600) - entitled to dividend as of the beginning of the fiscal year in which such common share is issued
for 6 shares	(preferred shares or common shares) of Siemens Nixdorf Informationssyteme AG of a par value of DM 50.- each (securities code numbers 775 610, 775 613 and 775 614).

Any shareholding of less than six shares of SNI shall be compensated by a cash payment to be made by Siemens AG of DM 156.50 for each SNI share of DM 50.- par value. For the purpose of calculating the cash compensation, all SNI shares held by a former SNI shareholder will be aggregated irrespective whether they are held in different custody accounts.

Any cash payments shall bear interest at the rate of 5 per cent p.a. as of the date on which the entry of the integration of SNI into Siemens AG into the commercial register will be publicly announced according to Article 10 German Commercial Code. The publication of this announcement will only be made within the next few weeks. Therefore the precise date from which on interest will accrue is currently unknown.

The former shareholders of SNI are requested to submit their common shares together with dividend coupons Nos 2 - 20 and talon (securities code number 775 610), as well as their preferred shares together with dividend coupons Nos 8 - 20 and talon (securities code number 775 613) at their earliest convenience to a branch office of one of the banks listed below:

Deutsche Bank AG	Girozentrale und Bank der österreichischen Sparkassen AG
ABN AMRO Bank N.V.	Hamburgische Landesbank - Girozentrale -
Bankhaus H. Aufhäuser	Hessische Landesbank - Girozentrale -
Baden-Württembergische Bank AG	Merck, Finck & Co.
Banque Nationale de Paris	Metallbank GmbH
Bayerische Hypotheken-und Wechsel-Bank AG	Norddeutsche Landesbank Girozentrale
Bayerische Landesbank Girozentrale	Sal. Oppenheim jr. & Cie. KGaA
Bayerische Vereinsbank AG	Schweizerische Bankgesellschaft
Berliner Bank AG	Schweizerische Kreditanstalt
Berliner Commerzbank AG	Schweizerische Kreditanstalt (Deutschland) AG
Berliner Handels-und Frankfurter Bank	Schweizerische Volksbank
Commerzbank AG	Schweizerischer Bankverein
Crédit Lyonnais	Südwestdeutsche Landesbank Girozentrale
Creditanstalt-Bankverein	Trinkaus & Burkhardt KGaA
Delbrück & Co.	Vereins - und Westbank AG
DG BANK Deutsche Genossenschaftsbank	M. M. Warburg & CO
Dresdner Bank AG	Westdeutsche Landesbank Girozentrale

Common shares of Siemens AG to be granted as compensation will be issued out of the conditional capital of DM 14,827,550.- resolved by the Annual Shareholders' Meeting of Siemens AG held on March 12, 1992. Such new common shares have been listed at all German stock exchanges. *Application for listing of the new shares will be filed with the stock exchanges in Amsterdam, Basle, Brussels, Geneva, London, Paris, Vienna and Zurich at a later date.*

The acceptance of the compensation and the payment of cash will be free of commission and charges for the former shareholders of SNI.

Siemens Aktiengesellschaft
The Managing Board

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, May 1, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates *except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.*

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	55.6022	33.8737	41.9218
Albania	(Lek)	88.90	49.8039	30.3412	37.5501
Algeria	(Dinar)	39.1870	21.9535	13.3744	16.552
Andorra	(Fr Fr)	9.8800	5.535	3.372	4.1731
	(Sp Peseta)	183.90	103.025	62.7645	77.6768
Angola	(Kwanza)	978.05	547.927	333.805	413.115
Antigua	(E Carr $)	4.8005	2.6893	1.6383	2.0276
Argentina	(Peso)	1.7615	0.9868	0.6011	0.744
Aruba	(Florin)	3.1825	1.7829	1.0861	1.3442
Australia	(Aus $)	2.3485	1.3156	0.8015	0.9919
Austria	(Schilling)	20.60	11.5406	7.0307	8.7011
Azores	(Port Escudo)	246.50	138.095	84.1296	104.118
Bahamas	(Bahama $)	1.7850	1	0.6092	0.7539
Bahrain	(Dinar)	0.6677	0.374	0.2278	0.282
Balearic Is	(Sp Peseta)	183.90	103.025	62.7645	77.6768
Bangladesh	(Taka)	67.50	37.8151	23.0375	28.511
Barbados	(Barb $)	3.5760	2.0033	1.2204	1.5104
Belgium	(Belg Fr)	60.45	33.8655	20.6313	25.5332
Belize	(B $)	3.5560	1.9921	1.2136	1.502
Benin	(CFA Fr)	494.00	276.751	168.601	208.659
Bermuda	(Bermudian $)	1.7850	1	0.6092	0.7539
Bhutan	(Ngultrum)	51.60	28.9075	17.6109	21.7951
Bolivia	(Boliviano)	6.8010	3.81	2.3211	2.8726
Botswana	(Pula)	3.8140	2.1366	1.3017	1.6109
Brazil	(Cruzeiro)	4261.60	2387.45	1454.47	1800.04
Brunei	(Brunei $)	2.9365	1.645	1.0022	1.2403
Bulgaria	(Lev)	32.24	18.0616	11.0034	13.6177
Burkino Faso	(CFA Fr)	494.00	276.751	168.601	208.659
Burma	*(Kyat)*	*10.9542*	*6.1368*	*3.7386*	*4.6269*
Burundi	(Burundi Fr)	351.40	196.863	119.932	148.427
Cambodia	(Riel)	1244.60	697.255	424.778	525.702
Cameroon	(CFA Fr)	494.00	276.751	168.601	208.659
Canada	(Canadian $)	2.1220	1.1887	0.7242	0.8963
Canary Is	(Sp Peseta)	183.90	103.025	62.7645	77.6768
Cp. Verde	(CV Escudo)	120.3580	67.4274	41.0778	50.8375
Cayman Is	(CI $)	1.4755	0.8266	0.5035	0.6232
Cent. Afr. Rep	(CFA Fr)	494.00	276.751	168.601	208.659
Chad	(CFA Fr)	494.00	276.751	168.601	208.659
Chile	(Chilean Peso)	616.90	345.602	210.546	260.57
China	(Renminbi Yuan)	9.7904	5.4848	3.3414	4.1353
Colombia	(Col Peso)	1107.55	620.476	378.003	467.814
Comoros	(CFA Fr)	494.00	276.751	168.601	208.659
Congo (Brazz)	(CFA Fr)	494.00	276.751	168.601	208.659
Costa Rica	(Colon)	242.50	135.854	82.7645	102.429
Côte d'Ivoire	(CFA Fr)	494.00	276.751	168.601	208.659
Cuba	(Cuban Peso)	1.3465	0.7543	0.4595	0.5687
Cyprus	(Cyprus £)	0.8295	0.4647	0.2831	0.3503
Czechoslovakia	*(Koruna)*	51.50c	28.8515	17.5767	21.7529
		49.67t	27.8263	16.9522	20.9799
Denmark	(Danish Kroner)	11.3475	6.3571	3.8728	4.793
Djibouti Rep	(Djib Fr)	312.00	174.79	106.485	131.785
Dominica	(E Carrib $)	4.8005	2.6893	1.6383	2.0276
Dominican Rep	(D Peso)	22.6160	12.67	7.7187	9.5526
Ecuador	(Sucre)	2389.25o	1338.52	815.444	1009.19
		2473.45a	1385.69	844.181	1044.75
Egypt	(Egyptian £)	5.8755	3.2915	2.0052	2.4817
El Salvador	(Colon)	14.2465	7.9812	4.8622	6.0175
Equat'l Guinea	(CFA Fr)	494.00	276.751	168.601	208.659
Ethiopia	(Ethiopian Birr)	3.65	2.0448	1.2457	1.5417
Falkland Is	(Falk £)	1.00	0.5602	0.3412	0.4223
Faroe Is	(Danish Kroner)	11.3475	6.3571	3.8728	4.793
Fiji Is	(Fiji $)	2.6695	1.4955	0.911	1.1275
Finland	(Markka)	7.9580	4.4582	2.716	3.3613
France	(Fr)	9.8800	5.535	3.372	4.1731
Fr. Cty/Africa	(CFA Fr)	494.00	276.751	168.601	208.659
Fr. Guiana	(Local Fr)	9.8800	5.535	3.372	4.1731
Fr. Pacific Is	(CFP Fr)	178.00	99.7198	60.7508	75.1847
Gabon	(CFA Fr)	494.00	276.751	168.601	208.659
Gambia	(Dalasi)	16.0110	8.9697	5.4645	6.7628
Germany	(D-Mark)	2.9300	1.6414	1	1.2375

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	734.40	411.429	250.648	310.201
Gibraltar	(Gib £)	1.00	0.5602	0.3412	0.4223
Greece	(Drachma)	343.50	192.437	117.235	145.09
Greenland	(Danish Krone)	11.3475	6.3571	3.8728	4.793
Grenada	(E Carr $)	4.8005	2.6893	1.6383	2.0276
Guadaloupe	(Local Fr)	9.8800	5.535	3.372	4.1731
Guam	(US $)	1.7850	1	0.6092	0.7539
Guatemala	(Quetzal)	9.1790	5.1422	3.1327	3.877
Guinea	(Fr)	1444.25	809.104	492.918	610.032
Guinea-Bissau	(Peso)	8890.00	4980.39	3034.13	3755.02
Guyana	(Guyanese $)	221.00	123.81	75.4266	93.3474
Haiti	(Gourde)	8.8900	5	3.0341	3.755
Honduras	(Lempira)	9.7670	5.4717	3.3334	4.1254
Hong Kong	(HK $)	13.7785	7.719	4.7025	5.8198
Hungary	(Forint)	142.45	79.8039	48.6177	60.1689
Iceland	(Icelandic Krona)	105.60	59.1596	36.0409	44.604
India	(Indian Rupee)	51.60	28.9075	17.6109	21.7951
Indonesia	(Rupiah)	3602.50	2018.21	1229.52	1521.65
Iran	(Rial)	2560.0r	1434.17	873.72	1081.31
		117.50o	65.8263	40.1023	49.6304
Iraq	(Iraqi Dinar)	0.5936	0.3325	0.2025	0.2507
Irish Rep	(Punt)	1.0980	0.6151	0.3747	0.4637
Israel	*(Shekel)*	*4.31*	2.4145	*1.4709*	1.8204
Italy	(Lira)	2202.75	1234.03	751.792	930.412
Jamaica	(Jamaican $)	43.55	24.3977	14.8634	18.3949
Japan	(Yen)	236.75	132.633	80.802	100
Jordan	*(Jordanian Dinar)*	1.2045	0.6747	0.411	0.5087
Kenya	(Kenya Shilling)	55.65	31.1764	18.9931	23.5058
Kiribati	(Australian $)	2.3485	1.3156	0.8015	0.9919
Korea North	(Won)	3.6375	2.0378	1.2414	1.5364
Korea South	(Won)	1384.35	775.546	472.474	584.731
Kuwait	(Kuwaiti Dinar)	0.5240	0.2935	0.1788	0.2213
Laos	(New Kip)	1262.40	707.227	430.853	533.221
Lebanon	(Lebanese £)	2828.50	1584.59	965.358	1194.72
Lesotho	(Maloti)	5.0915	2.8523	1.7377	2.1505
Liberia	*(Liberian $)*	*1.7850*	*1*	*0.6092*	*0.7539*
Libya	(Libyan Dinar)	0.5000	0.2801	0.1706	0.2111
Liechtenstein	(Swiss Fr)	2.6775	1.5	0.9138	1.1309
Luxembourg	(Lux Fr)	60.45	33.8655	20.6313	25.5332
Macao	*(Pataca)*	*14.2490*	*7.9826*	*4.8631*	*6.0185*
Madagascar	(MG Fr)	3148.85	1764.06	1074.69	1330.03
Madeira	(Port Escudo)	246.50	138.095	84.1296	104.118
Malawi	(Kwacha)	5.7430	3.2173	1.96	2.4257
Malaysia	(Ringgit)	4.4780	2.5086	1.5283	1.8914
Maldive Is	*(Rufiya)*	*17.7620*	9.9507	6.0621	7.5024
Mali Rep	(CFA Fr)	494.00	276.751	168.601	208.659
Malta	(Maltese £)	0.5750	0.3221	0.1962	0.2428
Martinique	(Local Fr)	9.8800	5.535	3.372	4.1731
Mauritania	(Ouguiya)	144.55	80.9803	49.3344	61.0559
Mauritius	(Maur Rupee)	29.8880	16.7439	10.2006	12.6242
Mexico	(Mexican Peso)	5375.50	3011.48	1834.64	2270.54
Miquelon	(Local Fr)	9.8800	5.535	3.372	4.1731
Monaco	(French Fr)	9.8800	5.535	3.372	4.1731
Mongolia	(Tugrik)	71.12	39.8431	24.273	30.0401
Montserrat	(E Carr $)	4.8005	2.6893	1.6383	2.0276
Morocco	(Dirham)	15.4790	8.6717	5.2829	6.5381
Mozambique	(Metical)	4295.00	2406.16	1465.87	1814.15
Namibia	(S A Rand)	5.0915	2.8523	1.7377	2.1505
Nauru Is	(Australian $)	2.3485	1.3156	0.8015	0.9919
Nepal	*(Nepalese Rupee)*	82.9080	46.447	28.2962	35.0192
Netherlands	(Guilder)	3.2975	1.8473	1.1254	1.3928
N'ad Antilles	(A/Guilder)	3.1825	1.7829	1.0861	1.3442
New Zealand	(NZ $)	3.2985	1.8478	1.1257	1.3932
Nicaragua	(Gold Cordoba)	8.8900	4.9803	3.0341	3.755
Niger Rep	(CFA Fr)	494.00	276.751	168.601	208.659
Nigeria	(Naira)	33.0710	18.45	11.287	13.9687
Norway	(Nor. Krone)	11.4775	6.4299	3.9172	4.8479
Oman	(Rial Omani)	0.6822	0.3821	0.2328	0.2881

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	*(Pak. Rupee)*	44.30	24.8179	15.1194	18.7317
Panama	(Balboa)	1.7850	1	0.6092	0.7539
Papua New Guinea	(Kina)	1.7085	0.9571	0.5831	0.7216
Paraguay	(Guarani)	2552.45	1429.94	871.143	1078.12
Peru	(New Sol)	1.8400	1.0308	0.6279	0.7771
Philippines	*(Peso)*	45.00	25.21	15.3583	19.0073
Pitcairn Is	(£ Sterling)	1.00	0.5602	0.3412	0.4223
	(NZ $)	3.2985	1.8478	1.1257	1.3932
Poland	(Zloty)	24410.0	13675.1	8331.06	10310.5
Portugal	*(Escudo)*	246.50	138.095	84.1296	104.118
Puerto Rico	(US $)	1.7850	1	0.6092	0.7539
Qatar	(Riyal)	6.4465	3.6114	2.2001	2.7229
Reunion Is. de la	(F/Fr)	9.88	5.535	3.372	4.1731
Romania	(Leu)	369.21q	206.84	126.01	155.949
Rwanda	(Fr)	*218.45*	122.381	74.5563	92.2703
St Christopher	(E Carr $)	4.8005	2.6893	1.6383	2.0276
St Helena	(£)	1.00	0.5602	0.3412	0.4223
St Lucia	(E Carr $)	4.8005	2.6893	1.6383	2.0276
St Pierre	*(French Fr)*	9.8800	5.535	3.372	4.1731
St Vincent	(E Carr $)	4.8005	2.6893	1.6383	2.0276
San Marino	(Italian Lira)	2202.75	1234.03	751.792	930.412
Sao Tome	(Dobra)	426.70	239.048	145.631	180.232
Saudi Arabia	(Riyal)	6.6790	3.7417	2.2795	2.8211
Senegal	(CFA Fr)	494.00	276.751	168.601	208.659
Seychelles	(Rupee)	9.25	5.182	3.1569	3.907
Sierra Leone	(Leone)	746.75	418.347	254.863	315.417
Singapore	($)	2.9365	1.645	1.0022	1.2403
Solomon Is	($)	5.0995	2.8568	1.7404	2.1539
Somali Rep	(Shilling)	4658.35	2609.72	1589.88	1967.62
South Africa	(Rand)	5.0915c	2.8523	1.7377	2.1505
		6.1100g	3.4229	2.0853	2.5807
Spain	(Peseta)	183.90	103.025	62.7645	77.6768
Spanish Ports in N Africa	(Sp Peseta)	*183.90*	*103.025*	62.7645	77.6768
Sri Lanka	(Rupee)	76.80	43.0252	26.2116	32.4392
Sudan Rep	(£)	160.00	89.6358	54.6075	67.5818
Surinam	(Guilder)	3.1735	1.7778	1.0831	1.3404
Swaziland	(Lilangeni)	5.0915	2.8523	1.7377	2.1505
Sweden	(Krona)	*10.5850*	5.9299	3.6126	4.4709
Switzerland	(Fr)	2.6775	1.5	0.9138	1.1309
Syria	(£)	36.0045	20.1705	12.2882	15.2078
Taiwan	($)	44.55	24.9579	15.2047	18.8173
Tanzania	(Shilling)	512.50	287.115	174.915	216.473
Thailand	(Baht)	45.7317	25.62	15.608	19.3164
Togo Rep	(CFA Fr)	494.00	276.751	168.601	208.659
Tonga Is	(Pa Anga)	2.3485	1.3156	0.8015	0.9919
Trinidad/Tobago	($)	7.5565	4.2333	2.579	3.1917
Tunisia	(Dinar)	1.6345	0.9156	0.5578	0.6903
Turkey	(Lira)	11716.25	6563.73	3998.72	4948.79
Turks & Caicos	(US $)	1.7850	1	0.6092	0.7539
Tuvalu	(Australian $)	2.3485	1.3156	0.8015	0.9919
Uganda	(New Shilling)	2162.50	1211.48	738.055	913.411
U A E	(Dirham)	6.5405	3.6641	2.2322	2.7626
United Kingdom	(£)	1.00	*0.5602*	*0.3412*	*0.4223*
United States	(US $)	1.7850	1	0.6092	0.7539
Uruguay	(Peso)	5000.25	2801.26	1706.57	2112.04
USSR	(Rouble)	1.0190o	0.5708	0.3477	0.4304
		174.40m	97.703	59.5221	73.6642
Vanuatu	(Vatu)	199.20	111.597	67.9863	84.1393
Vatican	(Lira)	2202.75	1234.03	751.792	930.412
Venezuela	(Bolivar)	107.6885	60.3296	36.7537	45.4861
Vietnam	(Dong)	20002.50	11205.9	6826.79	8448.79
Virgin Is-British	(US $)	1.7850	1	0.6092	0.7539
Virgin Is-US	(US $)	1.7850	1	0.6092	0.7539
Western Samoa	(Tala)	4.3240	2.4224	1.4757	1.8263
Yemen (Rep of)	(Rial)	21.3360	11.9529	7.2819	9.012
Yemen (Rep of)	(Dinar)	0.8270	0.4633	0.2822	0.3493
Yugoslavia	(Dinar)	585.55	328.039	199.846	247.328
Zaire Rep	(Zaire)	301537.0	168928	102914	127365
Zambia	(Kwacha)	241.80	135.462	82.5255	102.133
Zimbabwe	($)	9.0055	5.045	3.0735	3.8038

Special Drawing Rights April 30, 1992 United Kingdom £0.775102 United States $1.36976 Germany D Mark 2.27383 Japan Yen182.863
European Currency Unit Rates April 30, 1992 United Kingdom £0.700429 United States $1.23731 Germany D Mark 2.05344 Japan Yen165.304

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (l) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate, (r) parallel rate; (s) Selling rate, (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate ;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Friday, May 1, 1992

US COMMODITIES PRICES

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	337.3	339.0	0	0
Jun	337.6	339.3	338.5	337.0
Jul	338.6	340.2	0	0
Aug	339.5	341.2	340.3	339.2
Oct	341.3	343.0	341.7	341.0
Dec	343.3	345.0	344.3	343.0
Feb	345.6	347.3	0	0
Apr	347.9	349.6	0	0
Jun	350.4	352.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	353.1	355.4	354.5	351.5
Oct	357.1	358.3	356.5	357.0
Jan	357.2	359.4	358.0	358.0
Apr	358.7	360.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	400.2	399.7	400.0	397.5
Jun	401.5	401.2	0	0
Jul	402.8	402.5	403.5	399.5
Sep	406.0	405.7	406.5	404.5
Dec	410.8	410.5	411.0	408.5
Jan	412.5	412.2	0	0
Mar	416.3	416.0	0	0
May	420.2	419.9	420.5	420.5
Jul	424.2	423.9	0	0
Sep	428.8	428.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	99.95	99.25	100.05	99.10
Jun	100.20	99.50	100.20	100.10
Jul	100.50	99.80	100.70	99.70
Aug	100.60	100.00	0	0
Sep	100.80	100.20	100.90	100.10
Oct	100.85	100.20	0	0
Nov	100.90	100.25	0	0
Dec	100.95	100.30	100.95	100.45
Jan	100.75	100.10	0	0
Feb	100.55	99.90	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jun	21.12	20.85	21.15	20.78
Jul	21.13	20.89	21.16	20.76
Aug	21.09	20.86	21.15	20.76
Sep	20.99	20.78	21.05	20.70
Oct	20.90	20.70	20.93	20.67
Nov	20.81	20.62	20.83	20.59
Dec	20.75	20.56	20.75	20.54
Jan	20.64	20.45	20.64	20.43
Feb	20.56	20.36	20.34	20.34
Mar	20.47	20.28	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Jun	5756	5670	5775	5695
Jul	5723	5648	5745	5615
Aug	5785	5709	5795	5700
Sep	5900	5824	5920	5825
Oct	6000	5924	6010	5940
Nov	6085	6009	6075	6065
Dec	6170	6094	6160	6140
Jan	6190	6114	6195	6170
Feb	6085	6009	0	0
Mar	5865	5789	5840	5840

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	904	901	910	900
Jul	946	943	952	940
Sep	969	966	983	965
Dec	1041	1036	1047	1036
Mar	1084	1081	1088	1088
May	1114	1111	0	0
Jul	1142	1139	0	0
Sep	1172	1169	0	0
Dec	1210	1207	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	60.40	60.85	60.60	59.90
Jul	61.40	61.85	62.10	61.00
Sep	63.75	64.00	64.10	63.30
Dec	67.15	67.20	67.40	66.75
Mar	70.75	71.00	70.80	70.40
May	73.25	73.60	73.25	73.00
Jul	75.65	75.15	75.25	75.25
Sep	78.25	77.40	78.00	78.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.49	9.46	9.55	9.36
Oct	9.01	9.05	9.06	8.96
Mar	8.91	8.96	8.99	8.91
May	8.88	8.95	0	0
Jul	8.85	8.97	0	0
Oct	8.82	0	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	62.05	61.20	62.20	61.00
Jul	61.81	60.89	62.07	61.00
Oct	62.80	61.69	63.00	61.80
Dec	63.36	62.27	63.46	62.30
Mar	64.50	63.45	64.50	64.00
May	64.85	63.95	64.90	63.65
Jul	64.88	64.10	64.80	63.75
Oct	64.40	64.10	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	136.65	131.75	137.00	134.50
Jul	127.90	125.20	129.00	126.60
Sep	119.65	117.75	122.50	119.85
Nov	113.00	112.70	116.00	115.00
Jan	113.10	112.60	115.50	113.10
Mar	113.10	112.60	113.10	113.10
May	112.60	112.10	0	0
Jul	112.60	112.10	0	0
Sep	112.60	112.10	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	585/2	583/6	591/4	583/0
Jul	592/2	590/2	599/0	589/0
Aug	595/6	594/4	603/0	593/4
Sep	600/4	597/4	607/0	597/2
Nov	607/4	604/6	614/4	605/4
Jan	616/4	614/0	623/4	614/0
Mar	625/0	622/4	632/6	625/0
May	632/0	629/0	637/4	632/0
Jul	637/4	634/4	644/4	637/4
Nov	615/0	611/0	619/0	611/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	20.17	19.73	20.49	19.73
Jul	20.46	20.03	20.78	20.02
Aug	20.61	20.17	20.89	20.17
Sep	20.75	20.32	21.05	20.32
Oct	20.90	20.47	21.20	20.50
Dec	21.25	20.75	21.50	20.77
Jan	21.35	20.90	21.50	21.32
Mar	21.55	21.10	21.55	21.55
May	21.80	21.30	0	0
Jul	22.00	21.40	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	176.1	174.6	177.0	174.9
Jul	177.8	177.9	180.0	177.5
Aug	179.2	179.1	181.2	179.0
Sep	180.5	180.4	182.8	180.3
Oct	187.6	187.5	189.4	187.3
Dec	186.4	187.6	188.7	187.3
Jan	198.7	198.0	199.5	197.5
Mar	198.5	199.0	201.0	199.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	250/2	247/6	257/0	248/2
Jul	259/6	255/2	264/2	254/2
Sep	258/4	262/2	263/0	253/0
Dec	259/6	252/6	260/4	254/0
Mar	267/6	260/4	271/0	262/2
May	272/0	264/6	274/0	265/2
Jul	277/0	269/6	279/0	271/0
Dec	261/0	258/0	263/0	260/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	388/4	378/0	391/0	380/0
Jul	374/6	359/0	375/4	361/4
Sep	379/2	363/6	380/0	366/4
Dec	386/6	370/0	386/4	374/0
Mar	385/0	371/0	385/4	375/0
May	373/0	359/0	374/0	364/0
Jul	351/0	342/0	355/0	349/0
Sep	356/0	347/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	74.125	73.275	74.150	73.300
Aug	71.150	70.225	71.175	70.300
Oct	70.525	69.800	70.700	69.850
Dec	70.050	69.550	70.150	69.600
Feb	69.400	69.050	69.700	69.400
Apr	70.600	70.325	70.900	70.450
Jun	66.650	66.200	66.950	66.450

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	48.425	48.300	48.600	48.050
Jul	46.100	46.025	46.400	45.825
Aug	44.025	43.825	44.200	43.750
Oct	40.875	40.775	41.000	40.700
Dec	43.100	43.025	43.225	42.950
Feb	44.000	44.050	44.150	43.950
Apr	42.525	42.400	42.700	42.450

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	34.925	34.650	35.000	34.200
Jul	35.175	34.400	35.250	34.250
Aug	32.825	32.000	33.000	32.125
Feb	43.050	42.850	43.400	42.650
Mar	42.325	42.150	42.700	42.325
May	42.600	42.550	42.600	0

The United Mexican States Floating Rate

Privatization Notes Due 2001

The applicable rate of interest for the period May 1, 1992, through and including August 2, 1992, to be paid on August 3, 1992, a period of 94 days, is 4.875%. This rate is 13/16% above the offered rate for three-month deposits in U.S. Dollars which appeared on the display designated as *the British Bankers Association's Interest Settlement Rate (4.0625%)* as quoted on the Dow Jones/Telerate Monitor as Telerate Screen No. 3750 as at 11:00 A.M. (London Time) on April 29, 1992.

The above rate equates to an interest payment of USD 12.7292 per USD 1,000.00 in principal amount of Notes.

Banco Nacional de Mexico, NY

April 29, 1992

NOTICE TO THE HOLDERS OF BONDS ISSUED BY EUROPEAN COAL AND STEEL COMMUNITY/EUROPEAN ECONOMIC COMMUNITY REPRESENTED BY THE COMMISSION OF THE EUROPEAN COMMUNITIES ECU 500,000,000 7 5/8% BONDS DUE JULY 7, 1994

Further to the notice of March 16, 1992, we wish to advise Bondholders that for security reasons, they are requested to present their ECU 10,000 nominal Bonds ("the Bonds") for verification, as from May 5, 1992, to the Fiscal Agent of the issue.

After verification, the Bonds will be stamped by the Fiscal Agent to mark their authenticity.

Only stamped Bonds will be considered by the Luxembourg Stock Exchange as being of good delivery.

If you have any queries, please contact the Fiscal Agent of the issue:
SOCIETE GENERALE ALSACIENNE DE BANQUE (SOGENAL)
15, AVENUE EMILE REUTER LUXEMBOURG
TELEPHONE 47 93 11 292 TELEFAX 47 11 34 TELEX 3518/2849

Luxembourg, May 5, 1992

THE COMMISSION OF THE EUROPEAN COMMUNITY

EUROPEAN SMALLER COMPANIES FUND SICAV
L-2132 Luxembourg, 8 Avenue Marie-Thérèse
R.C. Luxembourg N° B 28.893

DIVIDEND NOTICE

By resolution of the Annual General Meeting held on April 28, 1992, a dividend of ECU 0.17 per share class "A" and per share class "B" is declared payable on or after May 6, 1992, to registered shareholders on record on April 28, 1992, and to holders of bearer shares upon presentation of Coupon N° 1. The shares are quoted ex-dividend as from May 4th, 1992.

Paying Agent: Crédit Commercial de France (Luxembourg) S.A.
8 Avenue Marie-Thérèse, L-2132 Luxembourg

By order of the Board of Directors

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 [illegible] Calls charged at [illegible] per minute cheap rate and [illegible] per minute at all other times. To obtain your free Unit Trust Code Booklet call 071-[illegible]

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Allied Dunbar Assurance Plc—Contd.

Citibank Life

Equitable Life Assurance Society

Henderson Administration(z)

Life Association of Scotland

NEL Britannia Assce Co Ltd

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

	Bid Price	Offer Price	Yield Gros	City-line
Norwich Union Life Insurance Soc.-Contd.				
"Pensionmaster" & Unit-Linked Plan*				
Mixed Fund	462.2	486.5	–	43283
Ordinary Share Fund	728.2	756.0	–	43229
International Fund	167.8	176.6	–	43230
Property Fund	259.4	273.1	–	43231
Fixed Interest Fund	406.8	428.2	–	43227
Index-Linked Sec Fund	190.6	200.6	–	43228
Deposit Fund	281.3	296.1	–	43232
Norwich Units Apr 22	1116.59		–	43234
*Prices as at April 30				
Jersey Investment Plan				
With Profits Fund	124.08	130.61	–	40525
Intl Equity Fund	92.93	97.82	–	40438
Intl Bond Fund	118.36	124.59	–	40349
Norwich Union Pensions Management Ltd				
Surrey Street, Norwich, NR1 3NG 0603 683335				
Group Funded Pension				
Balanced Managed Fd	350.82	336.39	–	44991
Growth Managed Fd	110.45	112.41	–	44995
Sentinel Managed Fd	107.67	109.65	–	44999
Prices as at April 30				
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	134.1	141.2	–	43235
Property Acc. (Gross)	255.6	269.1	–	43236
Equity (Gross)	910.5	958.4	–	43237
Managed (Gross)	630.3	663.5	–	43238
Property Acc. (Net)	122.1	128.6	–	43239
Equity (Net)	210.3	221.3	–	43240
Managed (Net)	193.4	203.6	–	43241
International (net)	167.0	175.8	–	43242
Gilt & Fixed Interest	138.8	146.2	–	43243
Money Fund	138.3	145.6	–	43244
Mixed Fund (Cap)	119.8	126.2	–	46550
Mixed Fund (Acc)	123.7	130.3	–	46548
Adventurous Managed	95.0	100.0	–	–
Cautious Managed	95.0	100.0	–	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	686.9	723.1	–	43245
Ret Man (Series 2)	233.0	245.3	–	43246
Ret Cash	194.1	204.3	–	43247
Pens Mixed Fd (Cap)	133.2	140.3	–	46559
Pens Mixed Fd (Acc)	137.5	144.8	–	46558
Pens Stg Fd (Cap)	102.4	107.8	–	46561
Pens Stg Fd (Acc)	105.8	111.4	–	46560
Pegasus Assurance Ltd				

	Bid Price	Offer Price	Yield Gros	City-line
Provident Mutual Life Assc. Assn.—Contd.				
Index Linked Gilt Init	123.2	129.7	–	43489
Overseas Equity Ord	271.1	285.4	–	43490
Overseas Equity Init	198.8	209.3	–	43491
Property Ord	220.4	232.0	–	43492
Property Init	162.7	170.2	–	43493
Fixed Interest Ord	225.1	236.9	–	43494
Fixed Interest Init	165.1	173.8	–	43495
Deposit Ord	184.9	194.6	–	43496
Deposit Init	135.7	142.8	–	43497
Pension Funds				
Managed Ord	471.1	495.9	–	43498
Managed Init	345.6	363.8	–	43499
Equity Ord	738.5	777.4	–	43500
Equity Init	541.7	570.2	–	43501
Pen Ind Lkd Gilt Ord	181.0	190.5	–	43502
Pen Ind Lkd Gilt Init	136.7	144.0	–	43503
Overseas Equity Ord	308.1	324.3	–	43504
Overseas Equity Init	226.0	237.9	–	43505
Property Ord	278.3	292.9	–	43506
Property Init	204.2	214.9	–	43507
Fixed Interest Ord	285.6	300.6	–	43508
Fixed Interest Init	209.5	220.5	–	43509
Deposit Ord	264.5	278.4	–	43510
Deposit Init	194.0	204.2	–	43511
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Portfund				
Managed Mar 22	264.6	275.7	–	43512
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3280				
Prudential Managed Funds				
Discretionary Apr 29	£307.46	185.85	–	43539
Equity Apr 29	£229.39	226.70	–	43540
International Apr 29	£27.31	27.90	–	43541
Intl Bond Apr 29	£14.36	14.54	–	43542
Fixed Int Apr 29	£303.83	104.95	–	43543
Index Linked Apr 29	£71.42	74.29	–	43544
Property Apr 29	£109.18	115.22	–	43545
Cash Apr 29	£70.3290	31.3290	–	43546
Pre-Linked Retirement Plan				
Managed Apr 29	460.8	480.0	–	43547
Cash Apr 29	278.6	290.3	–	43548
Prudential Pension Investment Account				
Pens Mixed May 01	185.8	199.9	–	43549
Pens UK Eq May 01	335.9	362.1	–	43550
Pens Intl May 01	196.8	211.4	–	43551

Scottish Amicable

Sun Alliance Group

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Providence Capital International Ltd – Contd.

J. D. Ward Financial Services Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Rothschild Asset Management – Contd.

Royal Bank of Canada Funds

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

		Bid Price	Offer Price	Yield Gross	City-line
Asset Global Funds Ltd (1200)					
Viking Hse, Prospect Hill, Douglas, IoM 0624 620097					
European Equity	5	14.082	14.082	15.05	44689
UK Gilt	5	10.351	10.351	10.89	44690
Intl Equity	5	14.714	14.714	15.72	44691
International Bond	5	5.120	5.120xd	5.402	44692
Ashburton Managed	5	[illegible]	[illegible]	[illegible]	47016
European Bond	5	[illegible]	[illegible]	[illegible]	47015
Sterling Cash Inc	5	£.98	.98	1.0290	47027
CMI Fund Managers (IoM)					
Clerical Medical Hse, Douglas, IoM 0624 625599					
High Income	5	0.4850	0.4850xd	0.5106	10.18 47293
CMI Core Portfolio Fund					
UK	5	£-1.0675	1.1444		47540
USA	5	£-1.0712	1.1369		47541
Japan	5	£-0.4482	0.4731		47539
Equity & Law Intl Fund Mngrs Ltd					
Victory Hse, Prospect Hill, Douglas IoM 0624 677877					
Total Income Fd	5	96.26	96.26	101.31	10.2
Gartmore Fund Managers (IoM)					
PO Box 32 Douglas, IoM 0624 627610					
Intl Grth	5¼	494.1	494.1	529.9	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd					
PO Box 52 Athol St Douglas IoM 0624 661020					
LJ International	5¼	95.45	95.45xd	102.71	44804
Mercury Fund Managers IoM Ltd					
11 Hill Street, Douglas IoM 0624 662255					
Merc IoM Fund	5	105.5	105.5xd	112.6	6.9 45970
Merc Intl Bond	5	49.83	49.83xd	52.39	8.3 45971
Sun Life Management (IoM) Ltd					
PO Box 178 Douglas, IoM 0624 622444					
Secure High Income	6	1.0378	1.0378	1.1226	8.09 47486
Unibank Scandinavian Fund Ltd					
23 Bucks Road Douglas, IoM 0624 626484					

Unit Name	Init Chrg	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Citibank (CI) Ltd "Citifunds"						
Short term Investment Funds						
Irish £ Apr 30			117.291			44841
Equity Funds						
Japan Equity Apr 30			$7.189			44845
US Em Hlth May 5			$22.204			44849
US Em Tech May 5			$28.770			44851
Citicare May 5			$34.069			44852
Bond Funds						
GNMA Bond May 5			$14.746	14.752		44855
HYB (A) May 5			$86.514			44856
EBC Trust Company (Jersey) Ltd						
Income			$15.17	15.649	2.75	44893
Capital			$23.61	24.328	5.50	44894
*Offer price includes 3% prelim. charge						
International Income Fund						
Eurobd Long Term*			$33.10	34.6000	4.88	44892
* Offer Price includes 3½% Initial Charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Apr 23 C$13.00						
First Aust Prime Inc Inv Co Ltd NAV Apr 23 US$10.87						
NAV Diluted to reflect exercise of all Wrnts C$12.64 US$10.57						
Fidelity Investment (CI) Ltd						
Sterling American			£2.473	2.603		44979
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM26.53			45096
Foreign & Colonial Mngt (Jersey) Ltd						
Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.67			45005
[illegible]			$16.41			45006
Sterling Cash			£11.80			45007
US$ Bonds			$14.61			45008
Multicurrency Bonds			$19.40			45009
Sterling Bonds			£13.22			45010

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

JERSEY (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Focus on US jobs

AFTER a week in which there was no firm indication about the scale of the US economic recovery, traders will again be closely analysing the economic numbers coming out of Washington, *writes James Blitz.*

On Wednesday, the Federal Reserve will issue its "beige book," outlining the state of the economy in recent months. But dealers will mostly focus on the US employment report *on Friday*, which some economists expect to indicate a rise in employment by about 100,000. "The employment figures will be the first indicator for a while on whether an economic upturn is really taking place," says Mark Austin, chief economist of Hongkong Shanghai Bank.

D-Mark traders will have their sights fixed on Thursday's Bundesbank Council meeting, amid speculation that the German central bank will increase interest rates. Analysts point out that the rates for overnight and 3-month money in the German interbank market are now hovering close to the Bundesbank's Lombard rate of 9.75 per cent, suggesting that the bank may have to put the Lombard rate up. A close watch will be kept on whether the Bundesbank chooses to raise rates on repurchasing agreements on Wednesday.

With Japan enjoying two days of holiday on Monday and Tuesday, yen trading will only pick up later in the week. The market continues to focus on whether the Japanese authorities will produce a fiscal package to boost the economy without cutting interest rates.

Traders will pay close attention to sterling today after the Bank of England reduced dealing rates at the long end of the UK discount market last week. The forex markets are generally expecting a ¼ per cent cut in interest rates this week.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

EXCHANGE CROSS RATES

May 1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.785	2.930	236.7	9.880	2.677	3.297	2203	2.122	60.45	183.9	1.428
$	0.560	1	1.641	132.6	5.535	1.500	1.847	1234	1.189	33.87	103.0	0.800
DM	0.341	0.609	1	80.78	3.372	0.914	1.125	751.9	0.724	20.63	62.76	0.487
YEN	4.225	7.541	12.38	1000.	41.74	11.31	13.93	9307	8.965	255.4	776.9	6.033
F Fr.	1.012	1.807	2.966	239.6	10	2.710	3.337	2230	2.148	61.18	186.1	1.445
S Fr.	0.374	0.667	1.095	88.42	3.691	1	1.232	822.9	0.793	22.58	68.70	0.533
H Fl.	0.303	0.541	0.889	71.79	2.997	0.812	1	668.2	0.644	18.33	55.78	0.433
Lira	0.454	0.810	1.330	107.4	4.485	1.215	1.497	1000.	0.963	27.44	83.48	0.648
C$	0.471	0.841	1.381	111.5	4.656	1.262	1.554	1038	1	28.49	86.66	0.673
B Fr.	1.654	2.953	4.847	391.6	16.34	4.428	5.454	3646	3.510	100.	304.2	2.362
Pta	0.544	0.971	1.593	128.7	5.372	1.456	1.793	1198	1.154	32.87	100.	0.777
Ecu	0.700	1.250	2.052	165.8	6.919	1.875	2.309	1543	1.486	42.33	128.8	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

EURO-CURRENCY INTEREST RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Lawrie	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Equatorial Bank plc	10.5	Nat Westminster	10.5
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Financial & Gen. Bank	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	First National Bank Plc	14	Provincial Bank PLC	14
Bank of Cyprus	10.5	● Robert Fleming & Co.	10.5	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	Robert Fraser & Ptnrs.	11	Royal Bk of Scotland	10.5
Bank of India	10.5	Girobank	10.5	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	● Guinness Mahon	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Hambros Bank	10.5	TSB	10.5
Barclays Bank	10.5	Hampshire Trust Plc	13.5	Unibank plc	10.5
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	● Hill Samuel	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	C. Hoare & Co	10.5	Western Trust	10.5
CL Bank Nederland	10.5	Hongkong & Shanghai	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Julian Hodge Bank	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5				

● Members of British Merchant Banking & Securities Houses Association.

FINANCIAL TIMES STOCK INDICES

	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 24	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.61	88.49	88.61	88.51	88.53	88.31	88.82	85.11	127.4	49.18
Fixed Interest	102.98	102.78	102.94	102.80	102.53	102.24	102.98	97.15	105.4	50.53
Ordinary	2081.7	2073.3	2076.5	2081.2	2073.7	2072.5	2081.7	1851.4	2108.3	49.4
Gold Mines	108.0	107.9	108.8	107.3	107.4	109.2	160.6	106.8	734.7	43.5
FT Act All-Share	1286.55	1282.75	1286.45	1279.58	1282.70	1275.75	1286.55	987.46	1286.55	61.92
FT-SE 100	2659.8	2654.1	2664.9	2651.0	2658.2	2643.0	2664.9	2382.7	2679.6	986.9
FT-SE Eurotrack 100	1175.00	1174.86	1174.59	1169.61	1169.59	1167.02	1176.44	1078.19	1176.44	900.45
FT-SE Eurotrack 200	1223.64	1222.07	1224.53	1217.07	1219.54	1213.35	1224.53	1120.52	1224.53	938.62

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	MONDAY MAY 4 1992: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY MAY 1 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992 High	1992 Low	Year ago (approx)
Australia (69)	150.48	−0.6	125.16	126.13	128.54	132.73	−0.2	4.15	151.31	125.68	126.92	129.10	133.00	153.88	140.94	149.79
Austria (19)	162.45	−1.3	135.14	136.19	138.79	139.27	−1.3	2.10	164.59	136.71	138.07	140.42	141.08	166.70	162.48	200.80
Belgium (46)	138.23	−1.0	114.97	115.85	116.07	115.30	−1.1	5.28	139.68	116.00	117.14	119.15	116.58	145.19	135.67	134.85
Canada (115)	127.29	+0.0	105.88	106.69	108.73	109.72	+0.0	3.35	127.33	105.75	106.80	108.62	109.57	142.12	125.60	137.72
Denmark (35)	233.27	+0.8	194.03	195.53	199.26	201.94	+0.9	1.83	231.57	192.23	194.20	197.51	200.18	273.94	226.81	204.23
Finland (15)	78.55	+0.4	65.33	65.84	67.09	73.75	−0.3	2.02	78.27	65.01	65.66	66.77	73.99	89.80	73.64	112.58
France (105)	162.39	+0.5	135.06	136.10	138.70	141.08	+0.5	3.34	161.60	134.23	135.55	137.85	140.31	162.38	148.06	136.61
Germany (65)	117.95	−0.3	98.11	98.88	100.75	100.75	−0.2	2.30	118.34	98.29	99.28	100.98	100.96	122.84	114.67	110.39
Hong Kong (55)	233.09	+2.5	193.87	195.37	199.11	231.86	+2.4	3.52	227.41	188.86	190.75	194.02	228.48	253.09	176.35	151.60
Ireland (16)	163.30	−0.3	135.52	136.88	139.49	141.64	−0.3	3.74	163.78	136.03	137.38	139.73	142.06	173.71	151.78	150.42
Italy (78)	70.08	−1.9	58.29	58.74	59.86	64.61	−1.9	3.56	71.45	58.34	59.98	60.06	65.84	80.86	68.92	77.75
Japan (473)	97.76	+0.1	81.31	81.94	83.51	81.94	+0.0	1.04	97.68	81.13	81.94	83.35	81.94	140.95	88.70	140.50
Malaysia (68)	242.90	+1.8	202.03	203.59	207.46	235.28	+1.4	2.78	238.99	198.50	200.46	203.89	232.09	250.18	212.40	228.89
Mexico (18)	1652.87	+0.0	1374.77	1385.41	1411.87	5564.24	+0.0	1.05	1652.80	1372.82	1388.23	1409.92	5564.24	1789.77	1376.91	898.78
Netherland (25)	157.32	+0.0	130.85	131.06	134.38	132.75	+0.1	4.21	157.24	130.60	131.98	134.18	132.59	157.32	147.88	140.64
New Zealand (14)	44.95	+0.1	36.89	37.18	37.09	43.83	+0.4	6.29	44.32	36.81	37.16	37.81	43.88	48.52	42.01	53.01
Norway (23)	183.83	+2.2	152.90	154.09	157.03	160.13	+2.0	1.59	179.79	149.33	150.81	153.86	156.91	192.95	161.26	189.81
Singapore (38)	220.09	+2.7	183.08	184.48	188.60	167.70	+2.8	1.95	214.35	178.04	179.80	182.87	163.21	226.43	192.76	196.55
South Africa (61)	283.75	+1.3	194.42	195.92	199.66	175.57	+1.3	2.89	280.78	191.68	193.58	196.89	173.34	283.80	203.16	202.80
Spain (50)	148.93	+0.0	123.87	124.83	127.21	116.35	+0.1	5.21	148.98	123.74	124.97	127.10	116.19	160.47	146.86	154.34
Sweden (25)	187.20	+1.2	155.70	156.91	159.91	164.15	+1.1	2.75	184.99	153.65	155.18	157.83	162.40	190.37	173.08	175.78
Switzerland (59)	102.57	+0.9	85.39	86.08	87.71	95.81	+1.2	2.23	101.78	84.52	85.36	88.83	94.63	104.22	95.98	92.12
United Kingdom (228)	190.51	−0.1	158.46	159.67	162.72	158.46	+0.0	4.68	190.78	158.46	160.01	162.75	158.46	190.78	165.85	172.65
USA (522)	169.92	+1.0	141.33	142.43	145.15	169.92	+1.0	2.94	168.18	139.66	141.08	143.49	168.18	171.66	160.92	153.94
Europe (789)	150.22	−0.1	124.94	125.91	128.32	127.47	+0.0	3.86	150.34	124.87	126.11	128.27	127.43	150.58	139.31	136.73
Nordic (98)	175.74	+1.1	146.17	147.50	150.12	147.78	+1.1	2.20	173.81	144.37	145.80	148.29	146.21	188.52	169.66	173.97
Pacific Basin (717)	104.24	+0.2	86.70	87.38	89.05	87.98	+0.2	1.43	104.00	86.38	87.24	88.73	87.82	141.97	94.40	140.68
Euro-Pacific (1506)	122.83	+0.1	102.17	102.95	104.92	104.27	+0.1	2.61	122.73	101.94	102.84	104.70	104.16	145.21	113.60	140.23
North America (637)	167.25	+1.0	139.11	140.20	142.89	165.83	+1.0	2.96	165.61	137.55	138.93	141.32	164.19	169.89	158.70	152.85
Europe Ex. UK (561)	126.24	+0.0	105.00	105.54	107.88	109.59	+0.1	3.32	126.30	104.90	105.96	107.77	109.52	129.79	121.81	118.17
Pacific Ex. Japan (244)	168.10	+1.2	139.81	140.92	143.60	149.25	+1.2	3.64	166.15	138.00	139.39	141.77	148.10	168.10	149.00	141.83
World Ex. US (1700)	125.21	+0.1	104.14	104.95	106.06	108.93	+0.1	2.83	125.06	103.89	104.93	106.72	106.39	146.91	116.45	141.21
World Ex. UK (1994)	134.52	+0.6	111.80	112.76	114.52	122.79	+0.6	2.50	133.76	111.10	112.21	114.13	122.10	150.56	127.21	141.70
World Ex. So. Af. (2161)	139.73	+0.5	115.39	116.29	118.51	125.67	+0.5	2.75	138.08	114.68	115.83	117.81	125.05	150.05	130.04	144.08
World Ex. Japan (1749)	162.58	+0.6	135.21	136.26	138.88	151.51	+0.7	3.29	161.56	134.19	135.53	137.86	150.51	162.56	153.20	147.91
The World Index (2222)	139.35	+0.5	115.90	116.80	119.04	126.12	+0.5	2.75	138.67	115.18	116.33	118.32	125.48	153.70	130.88	144.44

Markets closed May 4: Japan, Mexico and United Kingdom.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs		35¾xd	4.3	$1.20	FeMyAuNv	6.4	1503
♥Allegheny & W		257p	−4	30c	–	–	–
Amdahl		977p	7.6	10c	NvMrJeAu	31.1	–
Amer Cyanamid		34¼	0.7	$1.65	MrJeSeDe	4.3	–
Amer Express		12½xd	−5.9	$1.00	FeMyAuNv	31.3	1594
Amer T & T		24⅞xd	−.6	$1.32	FeMyAuNv	27.3	1597
Ameritech		35¼	−.7	$3.52	FeMyAuNv	28.3	–
BankAmerica		28⅞xd	0.4	$1.36	FeJeSeDc	20.2	1744
Bankers NY		33xd	—	$1.62	ApJyOcJa	27.12	1745
Bell Atlantic		25	1.5	$2.60	FeMyAuNv	4.7	–
BellSouth		28	1.8	$2.76	FeMyAuNv	5.4	–
♥Bethlehem Steel		7⅞xd	−2.3	–	MrJeSeDe	6.2	1821
Bowater		1357pxd	6.9	$1.20	OcJaApJy	9.3	1884
CPC	b	23⅝xr	−3.1	$1.20	JaApJyOc	30.3	2283
California Engy		726p	8.0	–	–	–	–
Campbell Soup		19¼	1.3	78c	OcJaApJy	24.12	2060
Chase Manhattan		14⅝xd	−1.7	$1.20	FeMyAuNv	24.4	2109
Chrysler		11⅛xd	1.1	60c	ApJyOcDe	11.3	2135
Citicorp		10⅞xd	−.8	–	–	23.10	2141
Colgate-Palm		27¼xd	−1.8	$1.06	FeMyAuNv	22.4	2184
Com'l Bank		977p	−0.6	60c	DeMrJeSe	31.6	–
Dana		23⅞xd	−2.3	$1.60	MrJeSeDe	25.2	2306
Data General		510p	1.2	–	–	–	–
Dial		26⅛xd	0.3	$1.12	JaApJyOc	20.3	2778
Dun & Brad		29¼	−2.5	$2.20	MrJeSeDe	18.2	–
Eaton		45½	−3.9	$2.20	FeMyAuNv	2.2	2410
Echlin		9⅝xd	−4.9	70c	JaApJyOc	2.4	3046
FPL		19⅝xd	1.3	$2.48	MrJeSeDe	25.2	–
Fluor		28⅞xd	—	48c	JaApJyOc	18.3	2608
Ford Motor		25¼xd	3.6	$1.60	MrJeSeDe	29.4	2615
Gen Elect		42⅞xd	−.6	$2.20	JaApJyOc	4.3	2675
♥General Host		464p	1.3	34c	–	13.12	–

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING—AEROSPACE

ENGINEERING—GENERAL

ENGINEERING—GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk's ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Scot National Inc		67	—	8.85	ApJyOcJa	154.6	24.2	3881
Cap		35	0.5	—	—	21.1	—	3889
Stepped Pf	1	126½	0.4	5.25	Sep Mar	43.8	24.2	3882
Zero Div Pf		179½	1.4	—	—	134.8	—	[illegible]
Warrants		5½	—	—	—	0.70	—	[illegible]
Scot Value		69½	1.7	1.35	Jan	12.4	9.12	2786
Sec Alliance	†	1249	2.1	35.8	Apr Oct	298.1	24.2	3874
Second Market		248	0.8	1.5	May	249.2	6.4	3876
Sec Tst Scot		72¼	0.7	3.25	Jul Dec	291.4	28.10	3877
Select Assets		99½	−1.5	0.83	Apr	22.9	24.2	[illegible]
Eq Ind Sert		119	—	4.25	JaApJlOc	21.9	6.4	[illegible]
Eq Ind Sert II		129	—	4.25	JaApJlOc	25.2	6.4	3885
Shires	7	249	3.0	17.8	ApJyOcJa	98.2	9.3	4914
11pc Cv Ln '03/04		£112½	—	Q11%	Sep Mar	26.6	24.2	4912
Scot Select		40	—	1.6	Jul	12.1	—	[illegible]
Warrants		18	—	—	—	0.34	—	[illegible]
Smaller Cos		77	1.2	2.5	Apr Oct	71.5	24.2	[illegible]
Warrants		12	—	—	—	4.30	—	[illegible]
Sphinx Inc	M	167½xd	−1.5	2.1	MyAgNvFb	39.9	27.4	4274
Zero Div Pf		73¼	4.3	—	—	77.7	—	3227
Warrants		9¼	—	—	—	0.00	—	[illegible]
Stratton		108	2.6	1.80	Jan	10.9	2.5	4128
Summit		43	—	1.25	May	3.04	9.3	4132
TR City of Lon	M	128½	2.1	4.75	FeMyAgNv	228.5	6.4	4271
TR Euro Growth	9	85	—	1.8	Oct	81.2	16.9	4389
Ptg Sub	5	38	—	1.8	Oct	1.81	16.9	—

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1290 a year for each security shown, subject to the Editor's discretion

London Share Prices

Real time share prices are available by calling FT Cityline on 0891 43 + the four digit code listed after the share price on this page. Calls charged at 36p/min cheap rate and 48p/ min at all other times.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Avesside (Section: Contracting & Construction).

Deletions Security Pacific (Banks), Fisian (Contracting & Construction), Robinson (T) (Engineering General), Taveners (Food Manufacturing), Tamaris & Do. 8½pc Pf. (Miscellaneous) and Haw Par (Other Financial).

4:00 pm prices May 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15 7/8	12 3/4	AAR Corp x	0.48	3.5	16	111	13 7/8	13 5/8	13 3/4	
26	20 5/8	A L Labs A	0.18	0.8	109	208	23 1/4	22 3/4	23	+1/4
68 3/4	56	AMP Inc x	1.52	2.5	24	1223	60 3/4	59 3/4	60 3/4	+1 1/8
80 1/4	64 3/4	AMR			33	43865	67 3/4	66 1/4	66 7/8	+1 1/4
2 3/8	1 3/8	ARX			2	48	2	2	2	
53 1/2	40 3/4	ASA	2.00	4.7	12	304	42 1/2	42 1/4	42 1/4	-1/2
68 1/8	59 1/4	Abbott Lab	1.20	1.8	25	8835	67 5/8	65 1/2	67 5/8	+2 1/8
13 7/8	12	Abitibi Pr	0.43	3.5	8	5	12 3/8	12 3/8	12 3/8	
11 7/8	10 1/8	ACM Gvt In x	0.98	9.0		298	10 7/8	10 3/8	10 7/8	
10 3/8	9 1/8	ACM GvOpp x	0.80	8.5		94	9 3/8	9 3/8	9 3/8	
9 1/2	8 1/2	ACM Gvt Sp x	0.80	9.1		409	8 7/8	8 5/8	8 3/4	+1/8
11 1/4	10 1/8	ACM Gvt Se x	0.96	9.2		417	10 3/8	10 1/4	10 3/8	+1/8
9 3/8	8 5/8	ACM Man x	0.95	10.4		256	9 1/4	9 1/8	9 1/8	-1/8
12 7/8	10 5/8	ACM Mmgd x	1.08	9.8		266	11	10 7/8	11	+1/8
11 1/4	7	Acme Cleve x	0.40	5.2	33	150	8 1/4	7 3/4	7 3/4	-3/8
6 1/4	4 1/2	Acme Elect			4	9	6 5/8	5 1/2	6 1/2	+1/8
33 1/4	16 7/8	Acuson			13	269	20 7/8	20 1/4	20 3/4	
18 1/2	16 1/8	Adams Expr	0.48	2.6	0	55	18 3/4	18 5/8	18 3/4	+1/8
15 1/2	13	Adobe I2Pf	2.40	16.4		36	14 7/8	14 1/2	14 5/8	+1/8
5 3/4	4 1/2	Adobe Res			9	66	5 1/8	5 1/8	5 1/8	+1/8
49 1/8	39	Ad Micro	3.00	7.0		23	43	42 3/4	43	+1/4
21 1/2	14 5/8	Ad Micro P	3.00	17.6	73	178	17 1/4	16 7/8	17	+1/8
9 1/8	5	Advest Grp	0.16	2.5	64	168	6 3/8	6 1/2	6 1/2	-1/8

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
82¼	65½	Xerox	3.00	4.0	151710		74⅝	74¼	74⅝	+⅛
55½	50½	Xerox4.125				5	52	52	52½	+½
26½	24⅞	Xtra 1.94	1.94	7.4		111	26⅛	26	26	+⅛
37	28½	Xtra Corp	0.86	2.5	13	586	32⅛	31⅞	32	+⅛
27	25¼	Yankee Egy	1.80	6.0	12	9	26⅝	26½	26½	
1½	⅞	Zapata			25	37	1⅛	1⅛	1⅛	
11⅛	6⅛	ZenithElec				31059	7⅝	7⅛	7½	
17¼	14½	Zenith Nat x	1.00	6.0	7	216	16⅝	16⅜	16⅝	+⅛
6⅞	6	Zenix Inc	0.85	12.9		107	6⅝	6⅝	6⅝	−⅛
13⅞	11⅛	Zero Corp	0.40	3.3	10	132	12¼	12	12	+⅛
36	32⅞	Zurn Ind	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	33⅞	33⅞	−⅞
14⅞	12⅞	Zweig Fund	1.16	8.9		316	13	12⅞	13	
11	9⅞	Zweig Totl	1.00	9.5		1982	10½	10⅜	10½	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4.00 pm prices May 4

NASDAQ NATIONAL MARKET

4.00 pm prices May 4

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	907	27	26	26⅝	+⅛
Xoma Corp		9	3845	16¼	15½	15½	−¼
Yellow Fr	0.94	25	720	31⅛	30½	30⅞	−⅛
York Rsch		43	485	5⅞	5½	5⅝	
ZionsUtah	1.44	10	25	51½	50	51¼	+1⅜

Continued on next page

FINANCIAL TIMES Tuesday May 5 1992

THE FT INTERVIEW

'F' stands for culture

David Mellor, secretary of state for National Heritage, speaks to **Raymond Snoddy**

'The public dimension has got to be looked after'

David Mellor's officials are already calling it "the F word". And they are not at all sure whether they should use it in the hearing of the first secretary of state for the new National Heritage department.

This "F word" has nothing whatever to do with the language of an avant garde Arts Council-funded play. This is "F for Fun", and a reference to the instant nickname given to one of Prime Minister John Major's "big ideas" – a department with Cabinet rank which *brings together everything* from arts, museums and libraries to sport, tourism, broadcasting, proper celebration of the millenium and a *national lottery to help pay for* those activities.

In fact Mellor does not actually disapprove of the fact that his department will forever be *known as the Ministry of Fun.*

"I was responsible for that. I am not a pompous chap," he says, relaxing into an armchair in his temporary accommodation, the *Office of Arts and* Libraries facing St James's Park in central London.

While his public image may have softened, the Heritage *secretary concedes that he has* been a fairly controversial character in a political career that began as the 15-year-old chairman of the South Dorset *Young Conservatives.*

The smiles over his new job description should not be allowed to obscure the fact that Mellor is a serious politi*cian – dubbed a "rottweiler"* by some colleagues because of his savage attacks on Labour's taxation plans during the campaign.

All the *signs* are that John Major is equally serious about the creation of the most significant new ministry since Harold Wilson set up the Ministry of *Economic Affairs* 30 years ago.

"The prime minister has taken the exceptional step of creating this department as a fundamental vision of the kind *of society* that he wants Britain to be," Mellor says.

In the 1980s, the Tories concentrated on the need to make Britain a dynamic economy, *and to reawaken a competitive* entrepreneurial spirit. Now it is time, Mellor says, to give everyone a chance to take part in culture, in sport, in heritage.

Later, he lights on a better way of explaining his new mission, albeit with the help of a remark by the un-Thatcherite economist J K Galbraith regarding private affluence and public squalor in the US. Mellor goes on: "We want private affluence. None of us is ashamed of private affluence; it is the fundamental basis of a *successful society. But the pub*lic dimension has got to be looked after as well and my job is to ensure that the public dimension is looked after."

*The new government depart*ment did not come as a surprise, and neither did Mellor's appointment. The arts had long sought representation at Cabinet level and the idea started to germinate in Major's mind when, as chancellor, he imposed a tax on football pools to help modernise club grounds.

"I suppose I would have been surprised if I hadn't got the job. The prime *minister* thinks the responsibilities fit me like a glove, though obviously I must prove the glove hasn't got too many holes in it."

Not only has Mellor been broadcasting minister (twice) and arts minister (once) but the fact that he supports Chelsea Football Club and enlivened *debate at the Treasury* – where he was Chief Secretary from 1990 until the general election – with a compact disc player and lots of classical *music was surely the clincher.*

"This isn't some poor little tugboat limping along behind the rest of the fleet. This is a full-scale ship that can sail *along with every other depart*ment as their equal," he says.

But how will the department which Mellor insists is not "a Frankenstein creation cobbled *together from bits of bodies* lying around in other departments" actually be set up? Where will it be located? How will it be funded and, most *important, what will it do?*

Because it is new, the National Heritage department has to reach decisions on everything from how many *paper clips are needed to how* long the department's question-time in the House of Commons will last.

Mellor is out to attract "the *brightest* and *best" from* Whitehall and there are signs that he may succeed. More than 50 civil servants have already applied for the five *jobs in the press office.*

What is more tricky is finding a permanent home. The Office of Arts and Libraries is too small for a final staff of about 400. Mellor wanted to go to London's Docklands, which he regards as one of the bravest development ventures in Britain this century. The move was ruled out because of the slender nature of the government's majority and the need to be close to the Commons to vote in key debates.

The old Energy Department is a candidate, along with two other premises, and there is also the possibility that the department will go to a new *building – one with some style* though not grandiose.

"One cannot put up a sign that says National Heritage over something that looks like *one of the more unattractive* manifestations of one of the direr eras of British architecture. But equally one cannot move into somewhere that looked as if one was getting *above one's station,"* says Mellor.

If all goes well, the public money that already goes to the arts – £221m to the Arts Council alone next year – will be augmented by up to £1bn a year from a national lottery.

Mellor choses his words carefully when addressing just what the mix of money will be.

"A clear undertaking has been given that the lottery is not to replace other public provision, but I think it was also said that we would have to have regard to the proceeds of the lottery when looking at the allocation of other resources," he says, in a sentence that did credit to a former Treasury minister.

But what is he actually going to do with the funds?

"I don't see myself as a sort *of culture Tsar, either trying to* provide a false picture of the culture of the nation or providing bread and circuses for the masses."

Apart from encouraging "the whole swathe of creative people in society" to high artistic tic and sporting achievements, Mellor says he wants to create "memorials", before quickly deciding that is not the right word.

Instead he changes it to "permanent examples of the nature of our culture that future generations will have pride in, the way we take pride in Buckingham Palace or the British Museum."

Once "the premises and the livestock" have been sorted out, Mellor will start to address policy. Like most people in most of the areas that National Heritage is now responsible for he believes that change is inevitable, he says.

"I don't want them to fear change or fear that change will be pushed upon them by some petty dictator calling himself the secretary of state for National Heritage."

The secretary, who has been called arrogant, *ambitious*, rude and abrasive – "tuppeny-halfpenny rubbish that people take out of the cuttings libraries" – is already setting up a series of meetings with leading figures in areas under the department's reponsibility, including arts and broadcasting.

A key issue will be the future of the BBC and the renegotiations for its new Royal Charter after the current one expires in 1996. Mellor, widely praised for his improvements to the 1990 Broadcasting Act, denies he is approaching the *BBC* with an axe.

"And what's more John Major isn't either," he says, adding that he wants to open up a public debate about the future of the corporation.

Yet Mellor does issue an unambiguous warning about his intentions. "I can't think of a single area where there is an existing policy that doesn't have to be taken down, inspected, scrutinised and at the very least polished up and probably frankly dismantled and put together again."

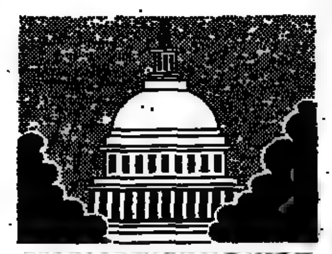
However creative his policies turn out to be, he knows the National Heritage department *will not be able to create* a Mozart. But he believes there is a vein of artistic potential which can be tapped and that it is cultural achievements that *endure in a society – more* than its patrons or its politicians.

"If we can find someone in this country who writes great music he will be remembered long after people have forgotten what the community charge was," says Mellor.

PERSONAL FILE

- **1949** *Born March 12 Dorset. Educated Swanage Grammar School and Christ's College Cambridge.*
- **1972** Called to the bar.
- **1979** Elected MP for Putney.
- **1981-1990** Energy, home *office, foreign and health* minister.
- **1990** Arts minister and chief secretary to the Treasury.
- **April 10 1992** Secretary for National Heritage.

Don't stop history at Los Angeles



MICHAEL PROWSE on America

By a strange coincidence I finally got round to Francis Fukuyama's book The End of History* just as Los Angeles went up in flames.

In 1989, Mr Fukuyama, then an obscure State Department official, sent shock waves through *intellectual circles* with a magazine article arguing that the US/western European brand of liberal democracy represents the end point of history. The book, published earlier this year, expands the original argument, explaining how science and human nature together drive societies inexorably towards democratic capitalism. He sees this as the final destination because it "constitutes the best possible solution to the human problem."

Events in Los Angeles give pause for thought. The city erupted in violence following the acquittal of the white policemen videotaped beating Mr Rodney King, a black. The subsequent days *of rioting* saw some of the worst civil disorder in the nation's history: more than 50 people dead, thousands injured and almost 4,000 buildings destroyed – a worse record than in most of the race riots of the 1960s. Is violence of this kind unavoidable at the end of history?

Some will deny any connection between the horrific events in Los Angeles and the US's economic and political system. The apparent injustice of the all-white jury's decision in the King trial was bound to provoke a reaction.

But the tension between blacks and whites, runs the argument, is not primarily economic in origin; it is rather the price that is being paid for the US's past *failure* to respect its own liberal principles. If there had been no suppression of blacks' civil rights, the two races would today be living in harmony. At any rate, they would rub along at least as well as whites and Asians or whites and Hispanics.

Yet few Americans believe race is the whole story. It is ironic that just as the word "class" is being banished from the political vocabulary of former communist countries, it is reappearing in the US. Fury at what seemed a racially-motivated travesty of justice was the trigger for last week's rioting.

But the methodical destruction of property also reflected an urban underclass's frustration after years of economic and social deprivation. If every face in the Los Angeles ghettos were magically painted white tomorrow, the economic outlook would not be transformed. *There would be less discrimi*nation in job hiring and education but the ghetto dwellers would remain an economically depressed class.

Problems have festered because federal government has looked the other way. The Bush administration believes the Great Society public sector programmes launched in the 1960s encouraged greater welfare dependency. It has thus failed to revive urban programmes cut drastically during the Reagan years.

At the same time, however, President George Bush has lacked the courage vigorously to support an alternative approach to urban decay championed by conservatives such as Mr Jack Kemp, the housing secretary. They urge Thatcherite reforms such as tax breaks for inner city "enterprise zones" and steps to give tenants ownership stakes in public housing. By *failing* to endorse the new approach, while rejecting the old, Mr Bush has ended up with no policy.

The deeper *question* is whether periodic outbursts, such as the Los Angeles riot, are inevitable in capitalist societies even if social policies are more enlightened. Mr Fukuyama's analysis raises grounds for concern because the forces he sees moving societies towards free markets and democracy are different, and thus potentially in conflict.

Scientific rationality leads to free markets: *at some stage* people recognise that this is the best way to achieve big gains in productivity. Societies tend towards democracy, however, because this is the best way to satisfy a deep human longing for "recognition" – or acknowledgment of human dignity and worth. Non democratic societies are unstable because the few can wield power only by trampling on the egos of the many.

What relevance does this have for Los Angeles? The answer is to be found in the final section of Mr Fukuyama's book, which looks at the flaws in democratic capitalism – his end point of history. He concludes *that profound tensions* are unavoidable.

One reason is that while the rhetoric of democracy proclaims universal equality, the iron logic of the capitalist market strips away the dignity of those who do not succeed economically. "Garbage men and busboys will always be treated with less respect than brain surgeons or football stars". So long as income and wealth differentials are *substantial*, no level of material prosperity will prevent daily damage to the dignity of economic losers. The wanton destruction in Los Angeles was as much a cry for recognition from the economically powerless as a racial protest.

The case for liberal capitalism *is that all other systems* are worse. But Los Angeles is a reminder that it rarely runs smoothly for long. For a more than a decade, the gap between rich and poor *has steadily wid*ened. It would be hard to imagine a clearer sign that a correction, involving a sharper focus on the problems of the underclass, would be prudent.

**The End of History and the Last Man. Published by Free Press $24.95.*

Elusive definition of privacy

JUSTINIAN

It was the loss of the anonymity of Jennifer Bennett – the girl whose ear condition was the basis of a Labour party election broadcast – that lay at the heart of her parents' complaint to the Press *Complaints Commission.*

Their complaint highlights the fact that the question of protecting children and other dependent persons against the consequences of publicity which may cause distress raise more direct and important issues than the *wider and less* specific issue of privacy. The problem for the Bennett family was that the newspaper industry has in its Code of Practice a clause protecting privacy. It says nothing about protecting children from publicity unwanted by *parents seeking* to safeguard the interests of their offspring.

The Press Complaints Commission ruled that the Bennetts had waived their privacy by agreeing to the use in the broadcast of their daughter's experience *of delay in getting* surgical treatment on the NHS.

Their action placed the issue of Jennifer's treatment "in the public domain", where it then became an appropriate subject for investigative journalism. The waiver covered all aspects *of privacy*, despite the Bennetts' express reservation that their daughter's identity should not be revealed *in any* media use of the storm about the supposed failings of the NHS.

It is odd that the press has not emulated the law in throwing a protective cloak around *children. The law, in fact, goes* out of its way to protect young people in Court proceedings. The power of the courts is to direct the press and broadcasting not to report court proceedings which reveal the name, address, or school of a child – *or otherwise give information* which *identifies* the child in court proceedings.

The Press Complaints Commission ruled that the Bennetts had waived their privacy by *agreeing to the use in a party election* broadcast of their daughter's experience of delay in getting surgical treatment

The significance of this protective rule is that it covers the child witness and not just the child in trouble with the law, for whom it might be said there should not be overfond*ness in concealing the identify* of an offender. The general practice nowadays is for courts to make orders restricting media publication whenever a juvenile is concerned. All this proclaims society's view that personal information about children is not for public con*sumption.*

Why, then, should not the press take a hint from the legislature and regulate itself in the same spirit? Presumably the Code of Practice which the Press Complaints Commission is administering is not immutable. But it is timely for the newspaper industry to propose revision of its code.

The endless arguments over the need for, or nature and *scope of a law of privacy*, founders on where to draw the line between what is public and what remains private. Clearly, if the information is to be protected it must not be a matter of public record or observable in a public place. *One step out of the front door* on to the street, and the hungry photographer can take a picture.

Attempts to specify precisely what is "private" have so far escaped the authors of privacy legislation. If the proponents want a privacy law of what*ever sort it is vital to distin*guish what is personal from what is not.

The Australian Law Reform Commission in 1979 did attempt to define the scope of the legal protection against unauthorised publicity. It adopted a category of sensitive *private facts. The category* relates to the health, private behaviour, home life, or personal or family relationships of the individual "in circumstances in which the publication is likely to cause distress, annoyance or embarrassment to an individual". Even though the list begs certain questions – for example, what is "private behaviour"? – it does provide the basis for a sensible *determination of what publica*tions are "in the public interest".

Once the scope of private information is established, the remaining issue is how far press freedom and responsibility override the personal fact.

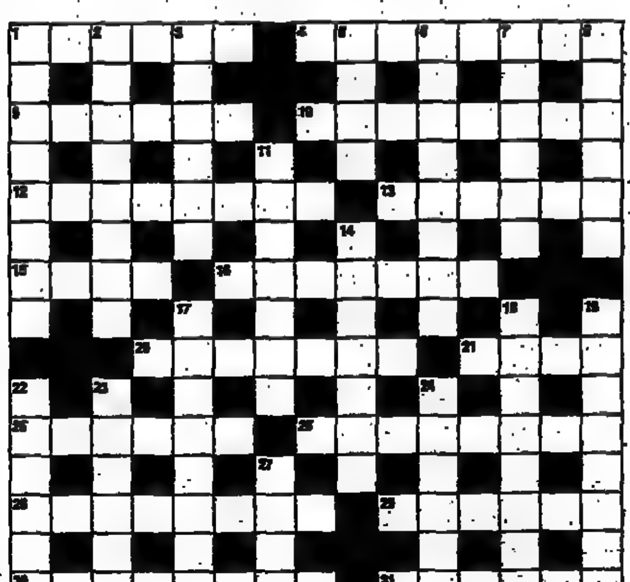
The story of Jennifer's ear was a matter of acute public interest. It provided the media in the throes of heightened electoral activity with a significant political row between the parties over the rival values attached to the National *Health Service. But did the dis*closure of Jennifer's identity add anything to the legitimate story? And if it did conceivably add a dimension to the story, was that addition justifiable, compared to the distress which was likely to be caused to the child and her family. Anonymity of children and other dependents is an issue for any*one concerned with the respon*sibility of a free press. It deserves to be high on the agenda of anybody involved with a revised code of practice.

Louis Blom-Cooper QC

JOTTER PAD

CROSSWORD

No.7,839 Set by ALAUN



ACROSS

1 Give – and have the means to (8)
4 Either condense or pad (6)
9 Prepared to hang, but innocent of the crime (6)
10 Nerving oneself to throw, stand inside (8)
12 Force the messieurs into business (8)
13 A previous or subsequent minister (6)
15 Make sounds like this bird (4)
16 When the medicine chest's opened, what falls out? (7)
20 Because the right back put in for the money outstanding (7)
21 Track one's ancestry (4)
25 Out a thousand dollars when making the entries (6)
26 Fairly certain to put the question to (8)
28 Watch while he gives an encore (8)
29 Not on the rocks, having a job (6)
30 Meaning the room has got in a mess (8)
31 Smart but gaudy? (6)

DOWN

1 Put on, produced a reaction (8)
2 Bit of graft crooked people go in for (8)
3 Felt dizzy and pulled in (6)
5 Up to: "Took to the man" (4)
6 Before the painting turned up, forecast it would (8)
7 Has an unsettling effect on people (6)
8 Back American Roy and Sucharine (6)
11 Vivid little reminder of one's time in hospital (7)
14 Bird box on which there's a squabble (7)
17 The answer lies in the brochure you carry out (8)
18 Getting off with committing arson, perhaps (8)
19 Feeling the net is in need of adjustment, adjust the net (8)
22 Used to undercut one before that (6)
23 The record holder isn't wrong to intervene (4,2)
24 The cow, if put in here, must be untethered (6)
27 It may be French for "head" (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 16.

FINANCIAL TIMES SURVEY

HONG KONG

The colony is rapidly changing its blue collars for white **Page 5**

Hong Kong is thriving as it prepares for reversion to Chinese sovereignty in 1997. Business confidence has returned, tourism has revived and a huge airport project is under construction. **Simon Holberton** examines the mood in the colony awaiting the arrival of a new governor in July

On course for the transfer

Focus on China: the eyes of Hong Kong are now firmly fixed on the mainland as it waits for 1997

Picture: Ashley Ashwood

WHEN Mr Chris Patten, Hong Kong's newly-appointed governor, arrives in the colony in July he will find that, five years away from its reversion to Chinese sovereignty, Hong Kong is thriving. Just a year ago the colony was in the doldrums: a bitter fight with China over colonial government's plans to build a huge airport was under way; the Gulf War had depressed tourist arrivals; and the colony's first partially democratic elections were looming.

Yet, in a way which underlines the skittish, manic depressive nature of the place, business confidence is now at it highest level for three years. The "airport problem" was solved with Mr John Major, Britain's prime minister, going to Beijing last September to sign the deal; tourism has picked up; and, more importantly, southern China's economic expansion, which continues at an exceptional pace, has come to dominate local business sentiment.

In one year share prices on the Hong Kong stock exchange have risen by nearly 40 per cent; so, too, have property prices. These singular rises in asset prices – aided, to be sure, by a lax monetary policy – underline the brimming optimism of Hong Kong. The colony expects to grow by more than 5 per cent in real terms this year, after a 4 per cent real expansion in 1991, and nearly 3 per cent in 1990.

To judge by the stock market, property prices, and bilateral trade with and investment in China, Hong Kong appears to have come to terms with its future ruler. The economic integration of Hong Kong with China is, considering that it has occurred just over the past 10 years, nothing short of astonishing.

This integration is most visible in the way Hong Kong's trade has changed over the past six years. During that time Hong Kong has reverted to a role it occupied before the Second World War: that of entrepôt for China's trade with the outside world.

Last year, Hong Kong exported goods with a value of HK$765.8bn; of these HK$534.8 were "re-exports", more than 80 per cent of which related to trade with China. But for the re-export trade, Hong Kong would have a visible trade deficit with the rest of the world because it is becoming more of a service area and transferring some of its manufacturing to south China.

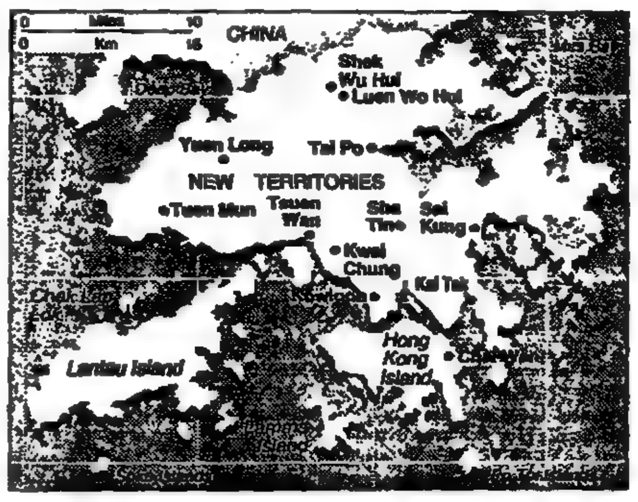
The change in trade flows has had a corresponding impact on the colony's economy. Manufacturing's share of gross domestic product and employment has fallen, while the service sector – trade processing, communications, shipping – has grown.

This change in Hong Kong's economy could not have happened without the historic change of course China embarked upon in 1979. Deng Xiaoping, China's paramount leader, opened the country's door and Hong Kong's entrepreneurs rushed in.

Today, Hong Kong's factory owners in Guangdong – the Chinese province bordering the colony – employ between 2m and 3m workers; Hong Kong supplies China with an estimated 40 per cent of its foreign exchange earnings by virtue of Chinese goods flowing through the colony, earnings of mainland companies in the colony and remittances by local people to families still in China; and, Hong Kong is the source of 60 per cent of foreign investment in China.

Yet, in spite of the extraordinary economic integration that has taken place over the past decade, China, at a political level, divides Hong Kong society and politics. Come June 30, 1997, Hong Kong will be welcomed back into the bosom of a country which, at best, nurtures ancient attitudes to civil and political rights, and which for millennia has been ruled by an iron fist.

Although the Joint Declaration on Hong Kong's future which Britain and China signed in September 1984 and the Basic Law which the Chinese parliament passed in April 1991 provide for the maintenance of Hong Kong's way of life and a "high degree of autonomy", the colony's citizens have continued to vote with their feet, seeking the protection of foreign lands and the passports they offer.



There have been cases of Hong Kong Chinese returning to the colony but this is hardly surprising given that their most popular destinations – Canada, the US and Australia – have all been suffering economic downturns. Bored and under-employed they have returned with their insurance policy – their passport – tightly gripped.

They have come back to a growing economy and to a place where last September's elections for the Legislative Council have changed the political landscape. Politics is no longer conducted in clubs but now in full public view. The government, in the past rarely held accountable for its decisions, now finds it has to make a case for its policies, from bus fares to taxation. It faces a continual barrage of complaints from elected representatives and pressure groups.

The government finds itself caught between forces pulling in opposite directions. On the one hand there is a group of local, democratically-elected politicians who implicitly challenge the colonial government's legitimacy. They, having been elected, claim a right to have their policies taken seriously and adopted.

On the other, in a curious reversal of fortune, is Beijing. It is keen that the government retains its position of dominance – because it wants the post-1997 government to inherit that dominance – and snarls each time the colonial regime appears to accede to local demands.

Somewhere in the middle is a group of largely appointed politicians, generally of the conservative stripe, some of whom sit in the legislature and on the governor's Executive Council, or cabinet. They wish to retain Hong Kong's free-wheeling capitalist system, are suspicious of their elected brethren whom, they claim with some justice, wish to spend the colony's wealth before it is earned. This group also seeks a non-confrontational policy towards China, believing that it is better to work with the future ruler than to antagonise it.

Mr Patten will have to chart his course carefully. Broadening political representation in his cabinet is one not entirely risk-free way, but is an option which if skilfully handled could repay handsome domestic dividends. If successful it could take a lot of the rancour out of domestic politics.

In drawing the sting, however, from the domestic body politic he risks inserting it into the tender hide of China. Beijing has already begun to agitate on electoral reform; Mr Patten can expect more.

Beijing wants an extra seat in the 1995 legislature for its Hong Kong business association, via one of the nine new "functional constituencies" – "rotten boroughs" by another name. This may prove a useful bargaining chip for him to cash in, in the ensuing contest over electoral reform.

Yet Mr Patten's main task is to preside over the peaceful transfer of Hong Kong to China in 1997. His key point of contact on the Chinese side will be Mr Zhou Nan, the head of Beijing's unofficial embassy in the colony. A man neither popular with his staff nor with the people of Hong Kong, Mr Zhou has proved difficult for the British to deal with since his appointment after the Tiananmen massacre of June 1989.

In the absence, however, of a replacement to match the new governor's seniority, Mr Patten will have to deal with him as best he can. He will also have to deal with Mr Lu Ping, head of the Hong Kong and Macao Affairs Office of the State Council, and China's most senior official in charge of day-to-day Hong Kong Affairs.

Mr Patten, with help from London, will have to give a kick-start to proceedings within the Joint Liaison Group – the Anglo-Chinese forum in which issues regarding the transition are decided. Although much was achieved by the outgoing governor Lord Wilson, the list of what needs to be done is daunting. Mr Patten will have to marshal all his considerable political skills to achieve a breakthrough.

IN THIS SURVEY

Editorial production: Roy Terry

Simon Holberton on China relations

A state of near limbo

FIVE YEARS before Britain is due to hand back Hong Kong to China relations between the two over the colony remain in a state of near limbo.

Little progress is being made either by the Anglo-Chinese Joint Liaison Group (JLG) – the body charged with co-ordinating and negotiating the transfer of sovereignty from Britain to China – nor, it would seem, in the six-monthly meetings between the foreign ministers of both countries.

The events of June 4, 1989 – the Tiananmen massacre – and their international aftermath have cast a long, dark shadow over Anglo-Chinese relations. The visit by Mr John Major, the British prime minister, to Beijing last September secured a HK$114bn airport and related infrastructure projects, but it does not seem to have resulted in much else.

If this were not worrying enough another factor has been added to problems: the power struggle in Beijing. Chinese officials – already under instructions to teach the Hong Kong government a lesson for letting people take to the streets at the time of June 4 – are keeping their heads down. These officials are in no mind to take the initiative in negotiations lest they incur the disfavour of a leadership yet to be determined.

Furthermore, many of the officials China has put forward to lead the negotiations are not seen as having much political clout in Beijing. Lu Ping, the head of the Hong Kong and Macao Affairs office of the State Council, is seen as a highly intelligent official but one who lacks the seniority of his predecessor – the Long March veteran Ji Peng Fei – and therefore his access to the highest level of decision-making in China.

The upshot of this is that, to the consternation of the Hong Kong government, the work load of the JLG mounts. There still remains to be processed some 400 international treaties relating to trade – bilateral and multilateral. Some derive from Hong Kong's dependent status on the UK others have been signed in the colony's own right. Many are obscure – such as the European convention on pallets, which agrees an international standard for the size of pallets – but they are part of everyday life and to ensure their post-1997 legality have to redrawn.

Other issues before the JLG are the stuff of high politics. They include:

■ Air services agreements. The Chinese are stalling, they say, because the UK will not show them secret annexes to the agreements. Britain believes that CAAC, the aviation monopoly in China, is using its considerable influence in Beijing to frustrate agreement being reached. CAAC wants access to Hong Kong's airways and the airways beyond, they say.

■ Military lands. There are 19 military sites in Hong Kong. The British want to vacate many before 1997, thereby leaving the Hong Kong government free to develop them. It wants to know from the Chinese which sites the People's Liberation Army needs. The Chinese position is that it wants them all; Britain has offered five so far, including HMS Tamar, the headquarters of British forces in the colony.

According to one British official: "They are being too greedy and we can't yet see a deal that is to the advantage of Hong Kong." However, hopes are that the Chinese will compromise. Mr Anthony Galsworthy, Britain's senior representative to the JLG, hinted at the UK's preparedness to compromise at a press briefing after the JLG meeting in March. "We should not expect to get 100 per cent of what we want," he said. "This is a negotiation."

The heyday of Anglo-Chinese relations is looking more and more like the period between the signing of the Joint Declaration in late 1984 and June 1989. Since then the Chinese government's attitude toward the British has reverted to type. The UK is regarded with suspicion and is seen as wanting to denude Hong Kong of its wealth before June 1997 while, at the same time, leaving in place structures which will perpetuate British influence.

Tiananmen square: dark shadow over Anglo-Chinese relations

The main reason for this distrust is, from Beijing's point of view, the failure of the UK's client government in Hong Kong to crack down on movements in the colony which advocate democracy on the mainland. From the Chinese point of view a failure to crack down is an implicit endorsement of their activities. China sees these groups as a threat; some of them gave aid to pro-democracy demonstrators in Beijing in 1989.

To the suspicious Chinese the development of local democracy in Hong Kong has also been a considerable worry. It is now clear to many that China did not anticipate the effect that a change to electoral politics would have on the ability of the Hong Kong government (and by extension its post-1997 clone) to govern.

Last September's elections have changed the face of Hong Kong politics from a cosy, consensual style of autocracy (the style of Hong Kong government China thought it would inherit) to a fractious, argumentative and party-based competitive style of politics. Many newly-elected local politicians have challenged the legitimacy of the colony's "executive-led" government.

The consequence for those who have to negotiate Hong Kong's future with Beijing is unenviable. Recently British negotiators have detected the formation of a new line emanating from Beijing. One has dubbed it the "doctrine of no change" – meaning the Hong Kong government cannot alter the way it does things, or the machinery of government.

If it tries the wrath of heaven descends. It is now commonplace for senior Chinese officials to comment publicly and provocatively upon Hong Kong government policy. This is deeply unsettling to the government – to unsettle is probably the motive – and the colony as a whole.

Recently there have been high profile interventions about the government's plans to "corporatise" Radio and Television Hongkong (that is, change RTHK's status from that of a government department to a statutory corporation) and, more worryingly, the government's annual budget. Concerns about inflation and the new airport are frequently aired and, earlier this year, Beijing, without consultation, appointed 44 local worthies to advise it on Hong Kong affairs.

The Joint Declaration speaks of the need for closer co-operation during the second half of the transition. Britain has agreed to consult on these issues but has resisted Beijing's demands that it become involved in the detail of plans.

The outlook, therefore, for Anglo-Chinese relations is mixed. Resolution of some outstanding problems can be expected. By the end of this year the power struggle in Beijing may have produced a clear winner, and this may lend some security to the position of officials, especially those negotiating Hong Kong's future. A new, more positive, line may emanate from Beijing.

Inflation is a side-effect of the structural changes in the economy

Plans for another miracle

HONG KONG'S role as service centre for and gateway to China should ensure continued prosperity in the face of its rapidly diminishing manufacturing sector. But in the longer term, its consistently high inflation may become a serious concern.

Inflation is an inevitable side-effect of the structural changes taking place in the economy. The traditional manufacturing sector has rapidly moved to take the benefits of cheaper land and labour across the border in Guangdong, creating a greater demand for workers in the more labour-intensive service sector.

Demand for labour has been further enhanced by Hong Kong's role as regional hub and springboard for investment into China. This has all taken place against a backdrop of almost full employment, high emigration and one of the lowest birth rates in the world.

A fall in the Hong Kong inflation rate from its April 1991 peak of 13.9 per cent to an estimated 1992 average of 9.8 per cent might suggest there is already a downward trend.

But out of the forecast 2.5 per cent decrease in inflation in 1992, 2 per cent is directly attributable to increased indirect taxes introduced in 1991. The figures are therefore artificial and businessmen are beginning to accept that double-digit inflation will become a matter of course in the lead up to 1997.

The handing out of some HK$200bn worth of contracts for the new airport in the first six months of 1992, combined with an economic upswing in the second half of the year, will put further pressure on prices.

Inflation is the main negative point in an otherwise optimistic economic scenario. The phase of low growth and high inflation that followed the disastrous consequences of Tiananmen Square and the Chinese austerity measures of early 1989 are being replaced by a sharp trade-led economic upswing.

Growth in Hong Kong's gross domestic product (GDP) slowed to 3 per cent in 1990, hit by the effects of the Gulf crisis, but the China factor enabled it to accelerate by a healthier 4 per cent last year. A number of economists expect it could rise to 6 per cent this year, compared with a government forecast of 5 per cent; while corporate earnings growth for the 33 Hang Seng Index constituent companies is expected to exceed 20 per cent this year.

The increase in foreign investment in southern China has encouraged a significant boom in its highly competitive export industries; these products have been processed through Hong Kong and its deep water port, resulting in a substantial increase in the level of re-exports.

The demand for services in Hong Kong has also reflected developments in China, as the colony has acted as the stepping off point for international investors. A recent survey indicated there were 880 regional representative offices in Hong Kong, with 26 regional headquarters set up in the first five months of 1991.

Finally, there has been a substantial pick-up in tourist arrivals, following the downturn that accompanied the invasion of Kuwait.

Against these factors, the inflation rate might seem a minor irritant. Some economists even argue that the differential between inflation and interest rates, is beneficial, since it has encouraged greater capital expenditure. There have been sizeable negative effective interest rates and so far asset inflation has been focused only on specific areas such as residential property.

Unlike the manufacturing sector, services compete on more than price and Hong Kong has in its favour the China factor. But in the long term, Hong Kong could see multinational companies relocating to other regional centres; while tourism is strongly linked to the cost of services. Inflation therefore remains a very real concern.

With the evolution of Hong Kong's economy from manufacturing to services, concern over the competitive position of the territory's export sector becomes less important.

In 1991, total domestic exports increased by 2.3 per cent to HK$231.04bn; re-exports jumped 29.2 per cent to HK$534.84bn. This underlines the speed with which the economy has relocated basic labour intensive manufacturing to the Pearl River delta, instead concentrating on servicing those displaced industries.

The manufacturing sector accounted for 31 per cent of the territory's GDP in 1970. By 1990, this had fallen to 16.7 per cent, although there has been a substantial increase in capital spending in industry, to maintain productivity against rising labour costs.

The trend away from manufacturing is continuing, with re-exports accounting for almost 74 per cent of total exports in February.

Southern China has been the fastest growing economy in the world over the past decade and as service centre for this region, Hong Kong's demand for labour can only increase.

The government made a feeble attempt to influence inflation through interest rates in May 1991, when it bucked the US trend by raising Hong Kong interest rates by 1 per cent.

The result was to create the widest margin between the Hong Kong and US dollar in the eight-year history of the pegged exchange rate. Interest rates had to be brought down after five weeks.

The government claimed the exercise was a success, but economists pointed out the increase in the money supply resulting from interest rate induced capital inflows, may have offset any minor improvement.

Since interest rates have subsequently been discounted as a realistic tool in the battle against inflation, increasing the supply of labour has to be the most obvious choice, given the number of lesser-paid workers across the border.

But this is rather more politically sensitive, since it raises concerns from the trade unions over the impact of labour imports on local wage rates.

The Business and Professionals Federation of Hong Kong commissioned a study on local inflation late last year and concluded "high inflation threatens Hong Kong's economic success and has socially divisive effects on income distribution". The report claims labour importation, combined with fiscal discipline and a sensible policy on property inflation, would help address the root of this problem.

The government has reacted positively. In January, it increased the number of foreign workers that can be imported, from 13,000 to 25,000. This should have a substantial impact on wage inflation.

Simon Davies

KEY FACTS

Area	1,070 sq km
Population (1992 estimate)	5.9 million
Head of State	Queen Elizabeth II, represented by a Governor (Sir David Wilson until July 1992, thereafter Mr Christopher Patten)
Currency	Hong Kong Dollar (HK$)
Average exchange rates	1990: US$1 = HK$7.80; 1991: US$1 = HK$7.78

ECONOMY	1990	1991
Total GDP (US$bn)	71.3	81.4
Real GDP growth (%)	3.0	3.9
GDP per capita (US$)	12,491	14,137
Consumer prices (% change pa)	9.8	12.0
Unemployment (% of lab force)	1.8	1.8
Exports (US$bn)	82.0	98.2
Imports (US$bn)	82.7	100.4
Visible trade balance (US$bn)	−0.7	−2.2
Main Trading Partners (1991, % by value)	Exports	Imports
China	27.1	37.7
US	22.7	7.6
Germany	6.7	2.1
Japan	5.4	16.4
Taiwan	4.0	9.6

Sources: Hong Kong Government Information Service, EIU

Simon Holberton on the day party politics came to the colony

Battleground for 1995 election drawn

IF YOU thought that Hong Kong was a place administered by Britain in which domestic politics played little or no part then you had better change your mind, or else you are about to be mugged by reality.

For 148 years of Britain's rule of its Far East colony this may have been the case, but September 15, 1991, will go down in the history of Hong Kong as the day on which the power of Britain's colonial government began to wane. It was the day when party politics was introduced to Hong Kong and it was also the day Hong Kong's future masters in Beijing came to rue.

Those elections returned 18 democratically-elected politicians – 12 of whom fought the election under the banner of Martin Lee's United Democrats; 21 members representing "functional constituencies", such as lawyers, trade unionists, and teachers; 18 members appointed by the governor, and three occupied by top civil servants.

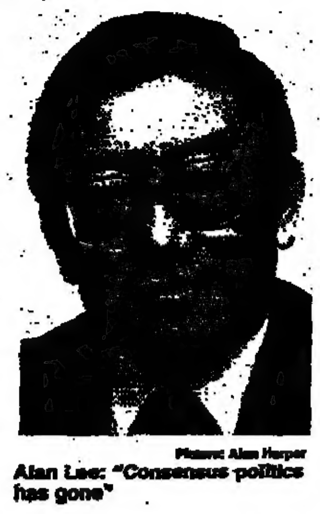
Just how Hong Kong's politicians arrive at a modus vivendi with the colonial government will determine the extent to which the colony's transition from British to Chinese rule is smooth or rough, difficult or easy.

So far the omens are decidedly mixed. At present the colony is ruled by a theoretically all-powerful governor who takes advice from an Executive Council (ExCo) consisting of permanent civil servants, and appointed pillars of the community, both Chinese and expatriate.

This government, however, holds no majority in the local legislature – known as the Legislative Council, or LegCo – and its legitimacy to govern is becoming increasingly questioned by not only those who were democratically elected last September (and who form a de facto opposition) but also, implicitly, by some of its own appointees.

"In the past policy was decided first in discussions which reached consensus and then we went public," says Alan Lee, an appointed member of the LegCo and a member of the governor's ExCo. "Now it's discussion, differences of opinion, debate and vote. Consensus politics has gone; that is the reality of the situation."

The government's room for manoeuvre is severely limited. Its ability to alter the constitution of Hong Kong is limited by the Basic Law – drafted and passed into law by China – which has taken as its template for governing the colony after 1997 the political system as it was in the late 1980s.



Picture: Alan Harper

Alan Lee: "Consensus politics has gone"

This is the so-called "executive-led" government which prevailed for most of British rule in Hong Kong. But the executive has been weakened by the introduction of partial elective democracy last September. The Chinese drafters of the Basic Law did not anticipate the consequences of last year's elections and it is not wholly clear if Britain did either.

This situation was graphically demonstrated by LegCo's reaction to the first budget presented by Mr Hamish MacLeod, the colony's financial secretary.

The budget appeared astute; its key details were carefully leaked to the local press and its proposals had all the hallmarks of a government which had read the United Democrats' election platform and was attempting to implement some of it. The corporate tax rate was raised, soothing noises were made about social programmes, and personal allowances were raised by a greater margin than inflation.

The LegCo debate was, however, acrimonious and for a time, it looked as though the budget would not be passed. It was only passed after Mr MacLeod made what in any other parliamentary jurisdiction would have been a fatal concession: he promised to lower taxes for the lower and middle classes in his next budget.

Senior government officials now conceded that they were wrong-footed by LegCo's response. "We thought it a balanced, middle-of-the-road document which balanced social concerns with economic needs," says one. "Even though it was that it still produced a split. This is a reflection on the state of politics rather than of substance."

The only option left to the government is to try and move closer to centre of politics in the colony in an attempt to limit the area of dissent as far as possible. "We can't bulldoze our way through any more," says the official.

Government officials rightly note that politics in Hong Kong is not characterised by the extremes of left and right. There is a broad consensus in the colony about what has made Hong Kong rich and prosperous.

But that said the familiar arguments about how to distribute the national wealth are there (as the budget debates testify), and there is a brewing controversy concerning the legitimacy of the government, and a politicisation of the electorate taking place.

Martin Lee's United Democrats, who won a majority of the democratically-contested seats last September and won the support of most of the others, are not shy of reminding the government that they are the ones who won the people's mandate last September.

This is an argument which government officials privately concede but one from which they understandably shy. It remains unclear, however, whether those who voted for the United Democrats did so with the hope that it would challenge the government and China as much as it has.

Picture: Roger Tay

Martin Lee in the Legislative Council chamber: his United Democrats won a majority of the seats

But even the government's natural supporters openly recognise its dilemma. "The Government can't claim it has the support of LegCo on policy or on the law-making process," said one. "The Government doesn't have a government party; it can't have and does not have a majority in LegCo."

This is just a foretaste, however, of what the government will have to face in the coming year. Looming large is the issue of electoral reform. It is an issue which divides LegCo, a committee of which is studying the problem, but it is one which may well have reverberations in Westminster and possibly even in Washington.

In advance of the 1995 elections the battleground is already beginning to be drawn. Alan Lee is devoting this summer to drawing up a constitution for a new business-oriented party to be formed out of the Co-operative Resources Centre – a grouping which counts 16 LegCo members among its number, and four ExCo members.

Pro-Beijing interests are also mustering their force. Mr Tam Yiu-chung, vice-chairman of the pro-China Federation of Trade Unions, has announced his intention to form a party. This will marry the grass-roots organisation of his union interests with business interests represented by the "One Country Two Systems Research Institute" run by the late Sir Y K Pao's son-in-law Dr Edgar Cheng.

Separately, the Hong Kong Chinese Enterprises Association, which represents mainland companies in Hong Kong and is directly controlled from Beijing, has made claim to one of the nine extra "functional" constituencies that will be created for the 1995 elections. Its application is expected to be successful.

The contestants are readying themselves for the race. Just how level the playing field will be has yet to be decided.

Debate over electoral options

Reform poses a dilemma

BRITAIN will be called upon to decided whether, in 1995, Hong Kong is allowed to elect 20 representatives to the Legislative Council with western-style fairness, or whether other interests, representing China and the business community, will be given an advantage.

Which way Britain jumps turns on the question of how much democracy Hong Kong wants on the eve of its handover to China.

The answer to that question will dictate an important area of the political landscape post-1995 and beyond.

Liberals, who point to the United Democrats' success at last September's elections, can fairly claim that the people have spoken. The social and political policies the Democrats enunciated won the day; the more democracy the better to safeguard the interests of Hong Kong's people, they say.

Those to the right, representing business and pro-China groups, argue that what is needed is a return to the status quo. They emphasise economic growth, stability and dialogue, not confrontation with China.

Government officials question whether the Hong Kong Chinese want full-blown democracy and the difficulties from China that would bring in its wake. Foreign diplomats concur: "There is a recognition of a need to reach an accommodation with China to protect their well-being; I am not convinced of a broad desire for democracy here," observes one.

The nine constituencies returned 18 of LegCo's 60 members; in each constituency voters were able to cast two votes. Martin Lee's United Democrats won 12 of the 18. The number of directly, or democratically, elected members will rise to 20 in the 1995 plebiscite.

The government has made it known that it sees only three alternatives: 20 single-seat constituencies; 10 two-seat, two-vote constituencies; or, multi-seat one-vote constituencies. The first two options are favoured by Hong Kong's liberal politicians; the last named by China and local conservative interests.

Which way Britain jumps turns on the question of how much democracy Hong Kong wants

On the LegCo committee of 12 studying reform, only four were democratically elected; the remainder were either appointed by the government or elected by "functional" constituencies, many on an uncontested basis.

Those groups who were unsuccessful in last year's direct elections – the Beijing-backed candidates and those representing business – see electoral "reform" as a way of improving their chances in 1995. They opt for multi-member constituencies with voters given only one vote.

The electoral reform process will be one of the most difficult for the government to manage. It is likely to come under pressure from all sides and not all can be pleased at the same time.

Simon Holberton

Simon Davies on the new airport

Ambitious plan takes off

SYMBOL of renewed confidence in the future of Hong Kong, or simply a monument to the British Empire, the $46bn Chek Lap Kok airport has become an astounding reality in 1992, after 10 years on the drawing board.

The tropical island site is already flattened and new contracts are being issued in abundance. As the most ambitious single infrastructural project ever undertaken in Asia, companies have arrived from all over the world to snap at airport-related contracts amounting to HK$20bn in 1992 alone.

These have already resulted in substantial controversy, with Hong Kong subsidiaries of UK companies receiving the bulk of the consultancy contracts for the core airport programme, to the ire of the local press. The terminal design contract also went to the most expensive bid on the short list, the British Mott Consortium, for HK$536m.

Further difficulties have been encountered over the principal 1,248-hectare Chek Lap Kok site preparation contract, where bids have been between 20 per cent and 50 per cent higher than the government estimate of HK$10bn.

Since the project uses close to 70 per cent of the available world dredging fleet, dredging prices have been raised mercilessly. Engineers claim this is a situation which should have been foreseen. The Provisional Airport Authority is having to review the contract to find ways of cutting costs.

But the myriad of international construction companies touting for business in the colony seem in the main satisfied with the performance of the PAA and the government in its handling of this ambitious project.

"You have to adapt the project itself to the capacity of the industry. And on this basis, we are satisfied with the way it is being handled," said Mr Michel Betant, managing director of Dragages et Travaux Publics (Hong Kong), which has been a large competitor in the tenders so far.

Accusations of national bias have often emanated from the offices of unsuccessful bidders and the PAA is adamant it has developed a selection process as rigorous as any to be found in other such projects.

The Independent Commission Against Corruption (ICAC), the body introduced in Hong Kong to battle against rampant graft in the colony, has been called in to observe the tendering process.

"It is as independent as we can get. It does not in any way favour any national interest, except to say we want people who know how to do work in Hong Kong. That is the key, along with value for money," said Mr Richard Allen, chief executive of the PAA.

The airport is designed to cater for Hong Kong's transportation needs beyond 2040. Mr Allen argues: "There is nothing new about this project, except for the size and duration. It is bigger and has to be built in a shorter time."

Phase one of the project, aimed to be completed shortly before the handover to China on July 1, 1997, will create capacity for 35m passengers a year.

Phase II, to be finished in 2040, will be able to accommodate 87m annual passengers at 120 aircraft gates. This compares with the capacity of the existing airport at Kai Tak of 24m passengers, which is expected to be reached by 1993.

Linked to the Airport Core Programme are some large infrastructural projects. These include the 1.3km Tsing Ma bridge, linking Northern Lantau Island with the Mainland, the high-speed rail link which should traverse the 32km distance to Central Hong Kong in close to 20 minutes, and a highway running along the sparsely populated North Lantau coast line. The total cost of these is estimated at HK$112bn, compared with the original estimates of HK$99bn.

The PAA is solely responsible for the activities on the airport island, but much local attention has been focused on the contract for the "Gateway to China" Tsing Ma bridge. The key competitors for this contract are Hyundai Engineering and Construction of Korea and a consortium led by Trafalgar House of the UK.

The Korean bid was in the region of HK$2bn lower, but the company claims to have been unfairly picked on to provide special guarantees which have not been demanded from the other consortia.

The bridge is one of the most crucial contracts for the project and the government has made it clear that it is not prepared to risk taking on a contractor which may not be able to complete on time.

The government is faced with a difficult decision, but there are signs that it is planning to guillotine the Hyundai bid due to financial risk, when it announces the contract award in mid-May. This could create a political uproar.

The appointment of the Trafalgar House consortium will also provide ammunition for those arguing that the airport is a last-ditch effort by the British government to cash in on its colony and support its ailing construction sector.

One displeased body could be the Chinese government itself. China Road and Bridge is Hyundai's only partner in the project. Beijing may be keen to exploit politically any indications of mis-handling by the Hong Kong government.

But given the depth of financial difficulties in which Hyundai finds itself, following its chairman's move into opposition politics in South Korea, the government will not be short of counter-arguments.

Trafalgar House has one significant advantage, but this was the result of the government design. The bridge is to use parallel wire cable, for which only Japan has the technology.

It has become apparent the technology will be readily available only to consortia with a Japanese element, which excludes Hyundai. Critics cite this as another error of judgment by the government. Consortia have suggested an alternative construction method to get round this.

The bridge is just one important aspect of the project which will be resolved in the next few months. The PAA will have to progress with the financing of its part of the project. It is to raise HK$20bn, although with a guaranteed income stream (it will receive income from Kai Tak from a fixed date in 1997, to cover for any potential delays with the replacement) this is not expected to cause difficulties. The Mass Transit Railway Corporation will also shortly issue consultancy contracts for its airport rail link.

The textile industry has been hit by rising costs, says John Thornhill

Material threat to exports


Spinning a yarn: rapidly being priced out of the market

HONG KONG, the home of cheap clothing manufacturing for decades, has rapidly been pricing itself out of the market.

Exorbitant land costs, labour shortages, and worryingly high levels of inflation have eroded the clothing industry's competitiveness and turned buyers' attention to lower cost manufacturing centres in southern China, Thailand, Malaysia, Indonesia and the Philippines.

Such cost pressures have not been unique to textile and clothing companies yet – unlike manufacturers in the toys and electronics industries – they have been unable to relocate in low-cost China because of the "country of origin" quota restrictions imposed by the Multi-Fibre Arrangement and various bilateral trade agreements.

In the absence of a loosening of the labour market through an inflow of foreign workers, the rising cost pressures will not be easy to reverse. Many in the textiles and garment industries are pessimistic about the future for manufacturing in Hong Kong believing it has already become the centre of "last resort" for many buyers.

Mr James Tien, vice-chairman of the Textiles Council who also runs the privately-owned Manhattan Garments, says: "Our industry's prices are already the highest in the region and I take a dim view of the future because of the high inflation rate. It will be very difficult for the garment industry to survive if we take a 12 per cent hike in wage costs each year."

Mr Ronald Chao, managing director of Novel Enterprises, adopts a similarly downbeat view. "If there were no quotas you would not see any textile production in Hong Kong," he says.

At first impression the erosion of Hong Kong's competitiveness is a serious problem because the clothing industry represents the colony's biggest employer and export-earner. Last year 223,840 workers – or more than one-third of all employees in the manufacturing sector – were employed in the clothing industry. Exports of HK$75.8bn made garments the biggest exporting industry in Hong Kong, accounting for one-third of the total.

The textiles industry ranks as the third biggest export earner, accounting for $17.6bn or 7.6 per cent of total domestic exports and employing 62,438 workers.

Although these industries are clearly under threat they will not be eliminated overnight. Hong Kong is sheltered from the full force of market pressures because of the international quota agreements that operate in many clothing categories and which are only marginally modified from year to year.

"Because Hong Kong was an early starter it has a historical advantage over the newcomers, which have to start from zero quotas," explains Mr W B Lam, company secretary of Winsor Industrial, Hong Kong's biggest integrated textile and clothing company. "In one way it limits Hong Kong's growth but on the other hand it protects us from our competitors."

Hong Kong companies have also tried to escape international cost pressures by moving from the commodity end of the clothing market into higher value-added sectors – as shown by a decline in exports in volume terms but an increase in dollar terms.

But industry observers argue that there is a limit to this evolution. The industry's infrastructure has not been built on the basis of low-volume high-value production and Hong Kong lacks the design skills and creativity to rival France or Italy as a centre of high fashion.

Individual clothing companies have reacted to changing market conditions in typical Hong Kong fashion by showing great flexibility and diversifying into other fields.

Some companies, which have been sitting on valuable industrial real estate have transformed themselves into property developers by turning textile factories into office blocks. Manhattan Garments, for example, now derives two-thirds of its profits from property with only one-third from clothing manufacturing. Lai Sun, which built up a big business exporting jeans to the US, has now diversified into property, retailing and hotels.

Other companies have sought to take advantage of the quota system itself. Because textile products are all but worthless on the international market without the authorisation to export them, quotas have become as valuable as gold dust. Some textile companies, which have high quota allocations because of a long history of manufacturing, now make more money from selling their quotas to other manufacturers than they do from making products themselves. A string of "quota brokers" have also sprung up creating a grey market for the necessary export documents.

If the whole industry shows as great a flexibility as many of the individual companies then the future is probably not as bleak as some imagine.

In the longer run, as the quota system fades away Hong Kong companies will be able to establish a greater presence in other low-cost countries and southern China – much as Novel Enterprises is already doing by building a textiles factory in Shenzhen, just across the border in Guangdong province.

This joint venture between two Hong Kong, two Chinese and one Japanese partner is rated a big success by its founders and is stepping up production from 3m yards a month to 4½m yards. Labour and land costs in China are less than one-fifth of those in Hong Kong, although electricity, water and transport are becoming increasingly expensive.

Of course, it is not only Hong Kong companies that can take advantage of the economic flowering of China but overseas companies still face considerable obstacles to doing business.

As Mr Billy Hung, a director of Lai Sun garments, says: "When you go to Guangdong you do not have a phone line, the only language is Chinese, you have to sit in a dingy 1950s' Chevrolet on a bumpy road for five hours before you get to the factory and at the end of a long day there is no hotel."

He argues that Hong Kong will retain its importance in the industry by acting as a clothing enrepôt with close ties to China, excellent communications, a knowledgeable labour force, high language skills and the sheer convenience of "coming here and seeing everything".

Mr Jim Brown, who heads a 64-person buying office in Hongkong for Next, the UK fashion chain, tends to agree. Although he says his company is increasingly buying clothes from other countries in the Asian region it is unlikely to move to another centre. "Manufacturing of some higher quality and higher priced garments will always remain in Hong Kong but basically it will develop into a service centre for China," he says.

In a decade, manufacturing output has fallen significantly, writes **John Thornhill**

Blue collars swapped for white

IT IS largely a matter of nuance.

For the government's critics, Hong Kong does not have an industrial policy worthy of the name. But for Mr T.H. Barma, acting secretary for trade and industry, such a charge is a nonsense.

"We do have an industrial policy," he insists. "We have a policy of intervening as little as possible in the marketplace. We see our role mainly as facilitating but we do not intervene to offer direct subsidies and we do not have any predetermined notion of what industries *should* or *should not exist* in Hong Kong."

Whether from neglect or design, Hong Kong has undoubtedly adopted a *laissez-faire* attitude towards economic growth in stark contrast to most other economies in the Asian region – most notably, *Singapore*. *For this* reason, Hong Kong is held up by many as an example of the wonders of entrepreneurialism in an environment of unleashed market forces.

At one level, the success of the policy is incontestable. As Mr Barma says: "Over the past 30 to 40 years Hong Kong has had a remarkable rate of growth. With very few natural resources we have become a major trading entity and are now ranked 10th in the league table of industrial powers."

But at a deeper level, there is room for doubt. The policy prescriptions of the past are not always the *ideal* blueprints for the future and many voices are now being raised urging the government to do more to stimulate growth in higher value-added sectors of the economy.

The policy prescriptions of the past are not always the ideal blueprints for the future

As Hong Kong moves from being a predominantly manufacturing to a service economy, industrialists argue that Hong Kong needs to create more effective "knowledge" industries which require original research and development.

Since the beginning of the 1980s, manufacturing output *has fallen from almost 30* per cent of GDP to below 18 per cent. *And employment* in manufacturing industry has fallen from 900,000 to 650,000. "We are rapidly changing our blue collars for white," as one Hong Kong industrialist expresses it.

But the fear is that Hong Kong will be left behind in the general upgrading of Asian *economies that is currently* taking place. The government has a greater role to play in taking the lead but, in the estimation of at least some industrialists, it is in danger of avoiding its responsibilities.

Mr James Tien, head of the Textiles Council, says: "The government's policy of non-interference may have been a good thing in the 1960s and 70s but not now. It is directionless but they dress it up in better terms and call it non-interference."

Officially, the government *accepts the need to change and* encourage further investment in "strategic" sectors, *such as* electronics. The Industry Department has recently set up a HK\$200m fund to support investment in industrial research on a matching dollar-for-dollar basis. It intends to invest in research projects before they are mature enough *to attract other forms of* venture capital.

"We are coming in at the ground floor rather than at the mezzanine level," as Mr Barma explains it.

The Hong Kong Productivity *Council, which is subvented* by government to the tune of HK\$100m a year, also helps to disseminate existing research more widely throughout industry helping to lift levels of productivity. And the government has recently established a University of Science and Technology to raise levels of technological *expertise in the colony*.

In some areas, the Hong Kong government has had a considerable history of being highly interventionist. It has long believed it is government's responsibility to create the framework in which entrepreneurialism can thrive. And so, for *example, it subsidises* about half of all domestic housing in the colony thereby helping to reduce labour costs. It has also played a substantial role in creating the necessary industrial infrastructure as the vast Port and Airport Development (Pads) project amply testifies.

But when critics of the government's industrial policy become too vociferous and claim all this still smacks of too little too late, its supporters rejoin by pushing the unofficial line that it does not matter anyway because of the remarkable fusion of economic *activity that has taken place* between Hong Kong and China.

This line of argument suggests that Hong Kong can defer the day of economic reckoning because of the vast untapped pools of cheap labour it can call upon in China. The rate of expansion in Guangdong province has been prodigious: Hong Kong *companies now employ* about 3m workers in mainland China, which has recently superseded the US as Hong Kong's biggest trading partner.

In this scenario, Hong Kong will act as the service centre for the Chinese hinterland channelling investment into the region and marketing its exports. Mr Ronald Chao, managing director of the Novel Enterprises textiles group, expresses a widespread analogy *when he says*: "I *think* Hong Kong will become like New York and Shanghai like Chicago."

For Hong Kong companies, the appeal of developing businesses in China is easy to see because of the enormous cost advantages. Many industries, particularly in toys, watches and electronics, have largely *uprooted their factories* in Hong Kong and reopened them on the other side of the border.

The fear is that Hong Kong will be left behind *in the general upgrading* of Asian economies

Ms Christina Cheung, director of Wah Shing Toys a Hong Kong company which has made just such a move, says wages in the toy industry in mainland China are only one-eighth *to one-tenth of those* in Hong Kong. The rental price of land is only about HK\$1 to HK\$2 a square foot in China compared with HK\$7.50 to HK\$10 in Hong Kong.

Her views about the economic development of the region are typical of many industrialists. "I have very strong confidence in the future of China. Once they open up and all the people get in touch with the living standards in the western world and how good a life we have in Hong Kong then they are not likely to go back to the old system," she says.

But such developments throw up new challenges for the Hong Kong government – not least how to ensure by discrete diplomacy that the US *does not* revoke China's Most Favoured Nation status, a move which would have a devastating impact on many Hong Kong businesses.

Mr Dennis Ting, chairman of the Hong Kong toys council, says the withdrawal of MFN status would increase the import duties on Chinese-made toys from 7 per cent to 70 per cent. "*It would kill our industry*," he says.

Hong Kong faces a vast and uniquely complex set of environmental challenges

Coming clean on hazards to life

A SHORT walk down Wong Chuk Hang road in Aberdeen should be enough to convince even the most hardened sceptic that Hong Kong faces a vast and uniquely complex set of environmental challenges.

Along both sides of the street, a score of high-rise factories produce a terrible clatter and pollute the air with noxious fumes. The continual chatter of nearby construction works *and the flow of traffic* adds to the cavernous din.

But *just* behind, a *string of* flats run up the hill and local residents scurry across the road, hands clenched firmly to their noses and ears.

Such scenes are typical in Hong Kong where the dense urban population, a virtual absence of planning restrictions and the colony's explosive industrial growth have combined to produce environmental problems which are not just aesthetically displeasing but life-threatening.

"In Hong Kong we had industrial chimneys *located* five metres from someone's bedroom window. I have no doubt that people were sent to hospital and some even died because *of sulphur dioxide* poisoning," says Robert Law, deputy-director of the Environmental Protection Department.

The great challenge has been to identify the most serious of the multitude of environmental threats and determine who should be responsible for *addressing them. So far* there has been a surfeit of bickering between government, business and environmental groups but a shortfall of effective action to tackle the issues.

Certainly, the government has appreciated the scale of the problems and has begun to construct a *framework for* their resolution. In June 1989, the government issued a White Paper on Pollution which catalogued the main threats to Hong Kong's environment.

It identified the fact that each day the colony generated 5,000 tonnes of garbage, 2m *tonnes of sewage and industrial* waste water, 600 tonnes of sulphur dioxide, 200 tonnes of carbon monoxide, and 300 tonnes of nitrogen oxides to *say nothing of noise and other* wastes generated by industry.

The White Paper sketched out a 10-year strategy for dealing with these environmental problems by a combination of persuasion, legislative enforcement, and investments in infrastructure projects, such as a massive scheme which will pipe treated sewage out to sea instead of dumping it in Victoria Harbour.

The Environmental Protection Department, which was entrusted with implementing the legislation, has seen a substantial increase in its budget *and staffing, which has grown* in 10 years from 20 to 1,000.

The government can point to some conspicuous successes. Sulphur dioxide emissions have been cut by more than 80 per cent since the introduction of fuel regulations in July 1990. The amount of pig effluents *contaminating* the water supply has reduced sharply following a policy of buying out polluting farms.

But in spite of such efforts, *the government has continued* to attract fire from industry and the environmental lobby groups who argue it lacks the resources and aggression to do an effective job.

Mr Peter Illig, director of the local branch of *Friends of the* Earth (FoE), says the government is nowhere near stringent enough in enforcing its policies. "I see a lot of carrots but not enough of the big stick which compromises the integrity of the legislation.

"Why have these issues been around for so long and addressed in the West but not tackled by the most dynamic city in Asia? The government is always behind the eight ball," he says.

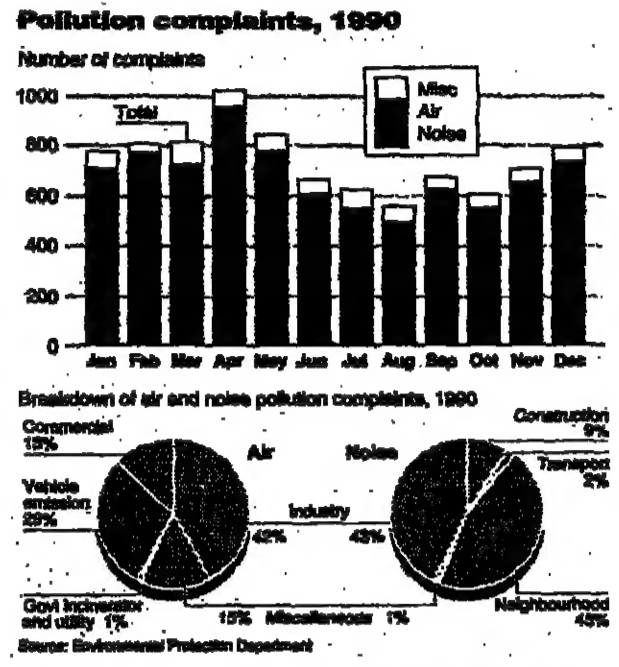
Other organisations have also been critical of the policies and have attempted to tackle some problems themselves. One is the Private Sector Committee on the Environment, a group of 16 companies which aims to promote "market environmentalism".

Local legend has it that the initiative *stemmed* from William Purves, the chairman of the Hongkong and Shanghai Banking Corporation, who decided "something must be done" about the environment after being appalled by the *mass of floating rubbish in* Victoria Harbour which he could see from his office window.

But since its establishment three years ago, the committee has broadened its remit by setting up a Centre of Environmental Technology which provides advice on pollution control equipment *for small* businesses and supplies venture capital funds for various environmental projects.

Mr George Cardona, from HKSBC who chairs the committee, says: "The underlying theme of this organisation is that if you can harness the profit motive you can clean up the environment a lot faster than by government action.

Pollution complaints, 1990



Source: Environmental Protection Department

Many things done elsewhere by governments are done by business in Hong Kong. It is quite natural for the corporate sector to take a lead."

But such initiatives cut little ice *with the FoE*, which views market environmentalism as an inherently flawed concept.

"The market will not solve the problem; the market is one of the problems. Pollution is one of the direct effects of the industrial process which functions in a market," says Mr Illig.

He believes it is essential to maintain the pressure on industry and government by raising awareness of environmental issues among Hong *Kong's inhabitants. "If there* is no governmental environmental priority it has to come from the local population. Everything that happens between now and 1997 is critical," he says.

Although FoE's 1,600 members are primarily from the expatriate community, other environmental organisations, such as Green Power and the Conservancy Association, have been more active in stirring up the consciences of the Hong Kong Chinese.

But *Mr Law, of the* EPD, believes attitudes have already changed substantially over the past few years and there is now more of a consensus for tough action. "Everywhere around the world you see that as disposable income grows so do expectations about the quality of life," he says.

In the meantime, the sewage bubbles through manhole covers after heavy rain, teachers still use megaphones to talk to their classes, and local residents say you can tell the season's fashions by the colour of the dyes leaking into the rivers.

John Thornhill

Profile: GORDON WU

Builder of the permanent, not the ephemeral

THERE cannot be too many chief executives of large companies who listen to Faure's Requiem while sitting at their desktop computer studying the latest financial projections for their company, but then Gordon Wu is no ordinary chief executive.

In Hong Kong today, where so much money is made simply by shuffling paper, what marks out Mr Wu is that he is a builder of the permanent, not the ephemeral. When many of his peers' creations are levelled in 10 years to make way for the next glossy and marble-clad tower block, people will still be using Mr Wu's roads, riding on the railway he built and using the electricity from the power stations he constructed.

Mr Wu is the managing director and the largest shareholder of Hopewell Holdings, a company which started life with Mr Wu as a Hong Kong property developer in the late 1960s but, since the early 1980s, has become one of the biggest private sector developers and builders of power stations, roads and railways in China and south-east Asia.

The transformation of Hopewell is the result of this protean manager's drive and imagination, aided, in no small part by the support of his bankers, in particular the Hongkong and Shanghai Bank, and his shareholders.

Mr Wu, whose company is valued at around HK$17.7bn, manages his empire from the top floor of the Hopewell Centre in the not-quite-so-fashionable Wan Chai district of Hong Kong island. His office has a slightly donnish air; most available wall space is covered with book-filled shelves, pictures, and his sound system.

Mr Wu was born on December 3, 1935, in Wan Chai, not a half a mile away from his current office. He is the seventh of nine children and his parents' third son. His family, like the district in which he was born, were of humble origins.

His father, who died last year, was also born in Hong Kong. He was a taxi cab driver who progressed from owning a half share of one cab to owning a fleet of 378 by the time Mr Wu helped him sell his company in 1969. He supported Mr Wu throughout his early years in business, and Mr Wu speaks of him with respect bordering on reverence. A large photograph of his father is prominently displayed in his office.

His early schooling was with the Jesuits; later he attended Princeton University, New Jersey, where he read engineering. "I did all right at school. But I was never a serious student. At Princeton I graduated with a gentleman's C plus."

The 1950s was the time when the US was at the peak of its power; a "blue-skies" optimism infused the country and it clearly affected Mr Wu. He left the US with the desire to earn a million dollars and the belief that with money "you have selective power: you can afford to make mistakes, you have that extra margin for safety".

Mr Wu returned from the US to Hong Kong in 1958. For the next four years he worked first for a private engineer/architect and then for the Hong Kong government's works department – all to get a certificate that would entitle him to be included on the government's list of accredited architects.

In the summer of 1962, with this achieved, he went to his father with a business proposition. Mr Wu wanted to become a property developer, but a developer with a difference. He wanted to own the land, design the building, build it and either sell it or manage it. In short, he brought vertical integration to property development.

"My father thought the idea was good and he put up HK$6m. The first building was a 10-storey apartment block; the land cost HK$250,000 and I got back 100 per cent of the cost in two-and-a-half years. I did several more, always recycling the money I made into the next project."

There was one characteristic of the business career of Gordon Wu in the 1960s and early 1970s: crisis, but crisis overcome through detailed planning. Most of the crises were outside his control – bank runs in 1965, the Cultural Revolution in 1966/67, the stock market collapse in 1973 – but each time he was able to persuade his bankers to support him. And the reason? Because he was always able to present them with a coherent vision of the future.

He left the US with the desire to earn a million dollars

Take his first crisis, the one of 1965 which was precipitated by a run on two of the colony's leading Chinese-owned banks, Ming Tak Bank and Heng Seng Bank.

"I banked with the Hongkong Bank – my father banked with it and encouraged me to. The bank runs precipitated a 50 per cent drop in property values. Cash flow was in great jeopardy.

"Within a week of the runs I went to see Peter Hutson, chief accountant of the Hongkong Bank. I explained to him our position and presented him with a 10-page memorandum explaining our cash flow position and what we needed to keep the company viable: a HK$3m loan. With that we could get through.

"He read the memorandum and in five minutes he said we could have the money. Two months later I saw him and he told be if I had come to see him a week later the funds would not have been available."

Mr Wu's relations with the Hongkong Bank have been close and enduring. His point of view is simple: "Keep nothing from your banker and work out your problems together."

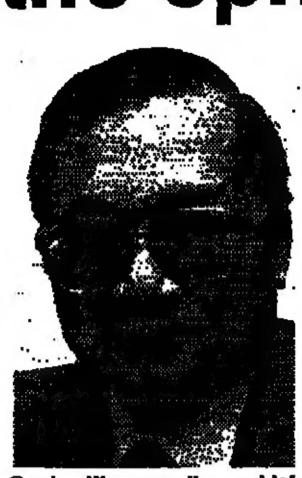
He repeated this procedure again and again. In the summer of 1967 a crisis of a different sort presented itself. His father announced he was going to retire. This threw the 34 year-old Mr Wu into a state of temporary depression. He looked at his life and figured he had accomplished nothing.

"I couldn't ask my father for money as my brothers and sisters would make the same demand. So I asked him to guarantee a loan for HK$15m instead.

"If I made it, then the guarantee would be academic; if I didn't I would write it off against my inheritance. He agreed and I ran all the way to the Hongkong Bank.

"Willie Purves was chief accountant then [he is now chairman of the bank] and the date was December 1, 1969. Willie is a straight talker, no bullshit, no nonsense. I put the HK$15m into property. With some friends (still directors of Hopewell) I founded Hopewell Holdings."

Mr Wu's relationship with Mr Purves, forged in those early years, has been of great importance to him. When Hopewell was taken public in 1972, Mr Purves was asked on to the board. When, in 1986, Mr Wu needed a large loan to allow him to take up the rights in a Hopewell's HK$5.8bn rights issue, Mr Purves, by then chief executive and chairman-designate of the bank, had approved it before Mr Wu even approached Hongkong Bank.



Gordon Wu: no ordinary chief executive

Gordon Wu's decision to change from property developer to builder of roads, bridges, railways and power stations was the result of one big mistake.

In 1979, when property prices in Hong Kong were rising sharply, Mr Wu decided to diversify. He thought the local market was overheated and unsustainable. At that time he viewed the property market as a combination of supply/demand and location. Today he realises that he missed one key factor: growth in personal income.

"At that time China had opened the door and I thought it must present better opportunities than Hong Kong," he says.

"So I decided to do something else and infrastructure seemed to be shielded from many commercial risks: you don't start to construct a power station until you have sold all the production first. Y K Pao didn't build ships before someone had already agreed to buy them. A super highway is the same thing. Infrastructure is safe."

That was the beginning of his now famous super-highway which, when completed will link Shenzhen to Guangzhou and Guangzhou to Zhuhai. It was also the beginning of his involvement in the development of power stations. He has built one and is now constructing a second and, by the end of this year, he plans to announce a third.

He has repeated his success in constructing power stations in China with the building of one in the Philippines. But his most imaginative project is the one just beginning in Bangkok. When it is finished Bangkok will have a badly needed mass transit railway. The railway will be elevated and on top of it will run an expressway for cars. The cost: US$3.2bn.

As is characteristic of most great ideas, Mr Wu's solution for Bangkok's urban transport problems was born of necessity and, not a little frustration.

"I got stuck in a traffic jam for a couple of hours. There were five of us in the car. We were in Bangkok to look at building a power station. It was August 1989.

"I said if traffic was a problem it can be cracked. There was a wide railway reserve going through the city and Stewart [Elliott, his long-time British associate] said why not use that.

"No sane person has invested money in a railway this century. But if it were elevated and covered so a freeway could go over it and we could develop the adjacent land then it might work.

"We put the proposal down on paper and sent it to the minister of transport. He immediately came to Hong Kong and invited us to Bangkok. They had their technical people look at it they gave us the green light.

"The hitch was it had to go out to tender. My heart sank, it was our idea and now we would have to let others try for it. The government decided to make it a quick tender and required that bidders deposit US$60m. There was only one bidder."

Physical work on the project started last month with work on the foundations for the elevated transport system. The whole system will be constructed in five stages taking an estimated eight years to build.

Hopewell will make money out of developing property adjacent to the railway. The opportunity missed in Hong Kong in 1979 will not be repeated in Bangkok. As Mr Wu points out, supply/demand favours the developer in Bangkok, incomes of the Thais are rising rapidly and he has the locations – they are right next to the railway he is building.

Simon Holberton

Simon Davies looks at financial markets

Good year for regulators

THIS has been a good year for Hong Kong's beleaguered regulators. After three years of battling prominent vested interests and each other, the Securities and Futures Commission (SFC) and the Stock Exchange finally formed a common front and made moves to clean up and develop the local stock market.

For a city with a history of *laissez-faire*, whereby the rich have been left alone to get richer, there has been a surprising amount of support for the regulators' successful moves to block unfair practices, such as the moves to take private the Evergo and Allied groups, this year.

The Stock Exchange's policies of tightening up listings regulations and focusing on a broader more China-oriented market place, have also attracted praise.

The main catalyst of this changed approach has been the reform of the Stock Exchange Council. This represented the sweeping away of the old club atmosphere at the Exchange and the introduction of a wider ruling body, without the vested interests that had been its former hallmark.

The battle over the Exchange reforms was not easily resolved. Former Exchange deputy-chairman Mr Philip Wong is widely seen as being the catalyst for the SFC's victory.

Mr Wong attempted to legalise preferential share allocations for Exchange council members last year. The move was to have been retrospective, because Mr Wong was anxious to clear his name, following evidence he had made use of this dubious perk during the reign of jailed former Exchange chairman Mr Ronald Li.

Mr Wong's move was eventually blocked, but it stood out as a glaring example of how the council needed to be protected from control by vested interests.

Since this bitter resolution, the relationship between the two regulators has become almost amicable. This has been partly due to some convenient timing, which has seen the resignation from the Stock Exchange of its chief executive Mr Francis Yuen, followed by the departure from the SFC of Mr Yuen's long-standing foe Mr Robert Owen, the founding chairman.

Mr Yuen, the ambitious managing director of Citicorp Scrimgeour Vickers, took up the helm of the Exchange at 36 and was the product of the free-wheeling Hong Kong corporate world.

Mr Owen, by contrast, was a former British diplomat and director of Lloyds Merchant Bank, who headed an expatriate-oriented Watchdog. The two corporate cultures would not merge. But the successors to the two chief protagonists, Mr Paul Chow at the Stock Exchange and Mr Robert Nottle at the SFC, are both technocrats rather than politicians. They have succeeded in ushering in an era of co-operation and progress which few would have believed possible, even a year ago.

"We are low profile. We believe we are there to work, instead of creating public rows," said Mr Chow.

Mr Nottle said he considered the Commission to be in an evolutionary phase, as it passes its third anniversary on May 1. "In this phase, we are shifting the focus from correcting the problems of the past, to meeting the challenges of the future."

He argued that to rebuild an appropriate framework a number of steps needed to be taken which "were not popular with some of the Exchange members", but he said in moving forward, the SFC would be involved in projects where there was "a commonality of interest".

"In terms of the turf, the Exchanges and clearing houses recognise the role of the Commission as an oversight regulator and a direct regulator in certain areas," said Mr Nottle.

The Stock Exchange has taken over primary responsibility for listing matters, following more than two years of dual responsibility.

With the management energy being transferred from politics to the two key areas of market development and minority shareholder protection, significant advances have been made.

Investor protection has always been a concern. The tendency for Hong Kong companies to be managed and controlled by sizeable family shareholdings, with few wholly-independent directors to stand in the way of family interests, minority shareholders have been subjected to numerous corporate atrocities.

One such, the Evergo privatisation of Chinese Estates, was described by the independent advisers to the minorities as "wholly inadequate", but was voted through, in spite of vociferous opposition from minority shareholders. However, an aggressive campaign by the Stock Exchange and SFC led to the lodging of an affidavit with the Supreme Court of Bermuda voicing concerns about the vote. The offer was suddenly withdrawn.